

# INVESTOR ALERT



Issue 31

DAVENPORT  
— Laroche —

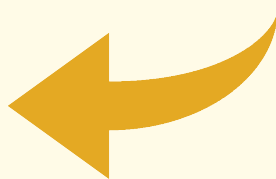
Your Containers

You Lease it to Davenport  
(core business is leasing to industry)

Davenport Rents it to:



And They Pay Rent to  
You and Davenport



You and Your Bank

Davenport and Our Bank

## FOCUS ON TRANSPORT

It has been another busy month in the global shipping sector, in particular with high activity within Asia and China. With a number of large-scale projects underway, and various trade deals developing, momentum in global trade is set to continue. Stay up to date with the latest news and insights in global shipping in this month's Investor Alert.



rose  
**5.5**  
%

**21**  
month  
high

Recent trade data point to strong growth in global trade. CMA CGM, the world's third-largest container line, reported strong operating profits from the second quarter of 2017. The company's fortunes reflect the wider climate in global shipping, which is emerging well from a subdued 2016.

Also promisingly, China's General Administration of Customs reported that over August, total Chinese exports **rose by 5.5%** in annual terms. Although a slight slowdown from July's growth, experts have noted that the strength of the Renminbi may have subdued Chinese exports with the currency **rising to a 21-month high**. Nonetheless, strong links with other Asian nations helped accelerate trade growth with ASEAN states.



**\$ 1.4b Port**

China continues to **invest heavily** in providing its regional trading partners with high-capacity, efficient infrastructure. One key example is China's recent agreement to fund a \$1.4 billion port project in Sri Lanka. The Colombo Port City, funded by China Communication Construction Company Limited, is expected to be completed by late 2018, greatly improving bilateral trade ties.

China is also **investing broadly** in improving transport infrastructure in other Asian states. Prominently, the ambitious China-Pakistan Economic Corridor project has earmarked **over \$46 billion** in Chinese grants since its initiation by President Xi Jinping on a 2015 visit to Pakistan. The grants have been targeted at roads, railways, and other industrial enterprises, aiming to streamline transport within Pakistan and strengthen ties between the two countries.

In the Middle East, a **flagship port complex** has officially opened operations. The Abu Dhabi Port, on the east coast of the UAE, welcomed its first vessel to its new Fujairah Terminals, a **\$1 billion** section of the system added to greatly enhance the container capacity of the port. The aim of the extension project is to further improve the port's status as a **"Vital Artery for International Trade"**.



In wider industry news, the number of second-hand shipping container sales has reached a **record high in 2017**. A total of 0.75 million twenty-foot equivalent units (TEUs) were sold in the first eight months of 2017, more than ever before. A number of factors have driven such sales, including the opening of new locks at the Panama Canal and the sale of South Korean Hanjin Shipping providing a **steady supply of second-hand units**.



**\$0.75m**  
sold  
Twenty-foot  
units

## LATEST TRADE DEALS

The success of international trade relies on strong relationships, supporting international exchange by linking markets. In recent weeks, some key deals and agreements look to kickstart further relationships and promote world trade. In turn, such agreements will underpin a healthy shipping industry, facilitating the constant flow of container trade around the globe.



Seeking to deepen its links with Latin America, China Merchants Port Holdings has **purchased a 90%** stake in Brazilian port operator TCP Participações for nearly \$1bn. The state-backed Chinese group will

therefore have its first port operating capabilities in Brazil. The move epitomises ongoing expansions of Chinese trade networks, as part of the One Belt One Road initiative, focused on accelerating Chinese trade.

In the year to June 2017, Chinese-based groups either bought or **invested in nine overseas ports**, worth **over \$20 billion** spent in total, according to London investment bank



Grisons Peak. The One Belt One Road plan, which had initially focused on traditional trade routes to Asia and Europe, has substantially branched out to Latin America - with Chinese firms investing almost \$8 billion into Latin American infrastructural deals since the start of the year, according to Dealogic.

**Canada and China** are also progressing closer towards a trade deal. National officials from both countries have been holding several meetings since talks were begun earlier this year, and Canada will be considering the merits of a free trade deal in order to diversify its export exposure in key Asian markets.



Elsewhere, five new ports have been added to the Chinese-Malaysian Port Alliance (CMPA). The alliance, launched in 2015 following a memorandum between the two countries, has expanded in the years since. Two Chinese ports, Tianjin Port and Qingdao Port, as well as three Malaysian ports have joined the programme, which promotes **significant investment** into port infrastructure, thereby accelerating trade between the two nations.

In a key shipping industry event, Danish giant Maersk has agreed a **\$1.7 billion deal** to sell its oil tanker division to its controlling shareholder. As part of the firm's restructuring process, the sale of the tankers will reduce the company's debt, and reinforce its long-term prospects.



### WE RECOMMEND

Profitable Container Positioning

- 1 TIANJIN PORT
- 2 CHINESE INFRASTRUCTURE PROJECTS

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