

November 7th 2014
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Week 45



“Nine out of ten people who change their minds are wrong the second time too.”

- Anonymous

Highlights:

- Malaise affecting.
- Fundamentals remain.
- Local authorities needed.
- Cheap deals – cannot last.
- Waiting game.

MARKET COMMENTARY

FRACTURED TIMES!

There appears to be no end to the malaise that has beset the industry over the last few weeks. The import of cheap Chinese billets continues to undercut local steel inventories at yards across the Indian sub-continent and prices offered for existing tonnage are seemingly sliding by the day.

The realities are that fundamentals, demand, and the currency remain healthy across the sub-continent markets. Yet, end buyers remain unable to shift current stockpiles of ship's steel at present, which is of grave concern.

Focus has therefore switched to local authorities, with Pakistan taking the most decisive stance at present as the ship recycling and re-rolling mill associations lobby to impose increased duties (with no results so far).

There have been several distressed sales from existing cash buyer inventories, much to the delight of end buyers who remain eager to secure a bargain or two, during these fractured times.

However, the reality is that these cheap deals do not look set to persist, with wary owners steadily withdrawing tonnage from the market to seek further employment, with such disappointing numbers forthcoming on demo rates.

As capacity stands at over 50 % in India (and further availability evident in both Bangladesh and Pakistan), it may be a bleak end to the year, in terms of new vessels sold.

Rates on capes have more than doubled in recent times and it may be that owners of vessels in other sectors continue to eke out further trade until levels and sentiment arrow up towards USD 500/LT LDT (and higher) once again.

For week 45 of 2014, GMS demo rankings for the week are as below:

Demo Ranking	Country	Market Sentiment	GEN CARGO Prices	TANKER Prices
1	Bangladesh	Weak	USD 450/lr ldt	USD 480/lr ldt
2	Pakistan	Weak	USD 445/lr ldt	USD 475/lr ldt
3	India	Weak	USD 440/lr ldt	USD 470/lr ldt
4	Turkey	Weak	USD 290/lr ldt	USD 300/lr ldt
5	China	Weak	USD 280/lr ldt	USD 300/lr ldt

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BANGLADESH

AFFLICTED!

Depression sets in.

With the depression on levels and sentiment now infecting Bangladesh as severely as India and Pakistan, cash buyers with unsold vessels began to fear the worst for an imminent recovery.

Cheap Chinese billets have also begun to seep through, undercutting existing ship plate inventories on yards and most end buyers are watching developments in competing locations before positioning prices and deciding on a course of action accordingly.

No new sales.

It was therefore no surprise to see an empty week for the sales board, although one or two cash buyer bulkers (in poor shape and of an older age) were concluded at concerning levels below USD 450/LT LDT (although this can certainly not be used as a direct comparison for good vessels in the market).

NO MARKET SALES REPORTED

INDIA

STRONGEST TO REACT!

The Indian market has reacted most strongly to the import of cheap Chinese steel, with levels being quoted on available vessels being simply insulting and exploitative.

Insulting numbers!

As perhaps the most sensitive market to differing influences (both local and foreign), it may have been expected for end buyers to react with such concern. However, this is a problem that can be resolved and indeed solved by the local government (unlike the problems associated with the dramatic depreciation of the Indian Rupee seen last year).

Many end users have simply refused to offer on vessels as they look to wait out the current falls. Others have offered what they see as bargain rates, in the hopes of picking up some cheap units – something that has unbelievably worked on several vessels as cash buyers become increasingly desperate to sell their distressed and arriving assets - with further falls perhaps seen on the horizon.

Distressed sales.

Usually the fourth quarter has been a time of tremendous activity and improving sentiment / prices, so this latest setback has come as something of a surprise to those in the industry.

Action needed from authorities.

Nonetheless, this is not something that the Indian sub-continent markets have had to deal with in any significant capacity before. So it may take some time for authorities to rally and impose the required sanctions on these cheap billets, in order to stimulate prices once again.

NO MARKET SALES REPORTED

PAKISTAN

FIRST TO ACT!

Decisive steps taken.

At least Pakistani ship recycling groups were the first to take the decisive steps of trying to lobby governmental authorities to impose a 10% duty on Chinese billets. However, their initial efforts appear to have been unsuccessful, but attempts are ongoing as this cheap steel is hurting local buyers across the sub-continent.

Price gap.

For the time being therefore, it remains status quo as far as sentiment and new sales go. Prices have come off by at least USD 30/LT LDT and on certain vessels, levels even USD 40 – USD 50/LT LDT less seem to be forthcoming. This is testament to the confusion those on the ground are experiencing, as no settling on levels or perceivable new benchmark on new prices has been set.

For the time being at least, no new vessels have been committed for sale in an otherwise quiet week for fresh tonnage across the sub-continent. With freight rates in certain sectors improving, it does not seem likely that owners will grab current recycling rates, unless absolutely no other options (on trading, holding, or second hand/resale) present themselves.

NO MARKET SALES REPORTED

CHINA

FURTHER PRESSURE?

With the Chinese market struggling below USD 300/LT LDT on most vessel sizes and types, as expected, there were no new sales to report, which made it a blank week across all destinations for another week.

Blank week!

Chinese rates may fall further yet, in case increased duties are levied on the exported billets – if local yards then cannot shift their steel inventories abroad, the prices may come under further pressure domestically.

Of course, the state subsidies mean that even state owners with Chinese flagged tonnage will continue to enjoy the generous premiums involved to scrap their vessels within China (and the subsequent discount on a corresponding new-building).

NO MARKET SALES REPORTED

TURKEY

NEGATIVE SPECULATION

*Local yards filling
appetites?*

The first week of November did not seem to be much different from the preceding month as the falling steel prices and low supply of tonnage still remains an accurate description of market the situation in Aliaga.

The steel prices slipped by almost USD 10/Ton, wiping out any anticipation of stability from last week, leaving end buyers uncertain as to when the seemingly unending fall in the market would subside.

With the continuously depreciating levels, even owners of small units are focusing on the Indian sub-continent markets as the price gap between the domestic and sub-continent markets appears to be crawling to the USD 200/Ton mark.

Consequently, the supply of scrap tonnage being offered into the Turkish market is almost extinct, with rumours arising that there was almost no tonnage being negotiated during the past week.

The prevailing situation on the other hand, does not appear to be negatively affecting the demand of scrap steel, as the local market appears to be covering its needs by continuing to import finished steel products at competitive levels, from the Far East.

As such, it appears that the negative speculation is going to resume by the Turkish breakers.

NO MARKET SALES REPORTED

UNBELIEVABLE

- *Vending machines kill 4 times as many people as sharks per year.*
- *Fredric Baur invented the Pringles Can. When he died, his ashes were buried in one.*
- *Psychology is the brain trying to comprehend itself.*
- *The average 4-year-old child asks over 400 questions every day.*
- *The average human adult has 2 to 9 lbs. of bacteria in his or her body.*
- *Starfish can regrow their arms. In fact, a single arm can regenerate its entire body.*
- *Google's founders were willing to sell to Excite in 1999 for under \$1 Million but Excite turned them down.*
- *The total weights of ants all over the world is greater than the total weight of humans all over the world.*
- *In a 2008 survey, 58% of British teens thought Sherlock Holmes was a real man while 20% thought Winston Churchill was not.*
- *Janis Joplin left \$2,500 in her will for her friends to "have a ball after I'm gone".*

IMPORTANT DATES

INDIA	
BANK HOLIDAYS	BEACHING TIDES
October 23 – Diwali	October 23 – October 30
November 04 – Muharram November 06 – Guru Nanak Jayanti	November 04 – November 12 November 21 – November 29

BANGLADESH	
BANK HOLIDAYS	BEACHING TIDES
No more holidays in October	October 23 – October 26
November 04 – Muharram	November 06 – November 09 November 22 0 November 25

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ALANG - Port Position as November 08, 2014

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Anoushka	6,314	Bulk Carrier	Arrived November 05
2	Bagration	3,292	Fishing Vessel	Arrived November 07
3	Caribe	7,310	Container	Beached November 03
4	Ever	5,637	Bulk Carrier	Beached November 03
5	Isla De Cedros	12,648	Bulk Carrier	Beached November 03
6	King Brave	7,208	General Cargo	Arrived November 08
7	One	22,635	RoRo / Container	Beached November 08
Total Tonnage		65,044		

CHITTAGONG - Port Position as of November 07, 2014

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Altavia	10,443	Container	Arrived November 04
2	Century Star	4,483	Bulk Carrier	Arrived November 05
3	Deshbandhu-1	7,415	Bulk Carrier	Beached October 29
4	Firstsea	7,778	Bulk Carrier	Arrived November 06
5	Glory Nanjing	23,347	Bulk Carrier	Arrived November 07
6	Golden Time	2,392	General Cargo	Arrived November 04
7	Menelaus	2,901	Tanker	Beached October 31
8	Princess	5,949	RoRo	Arrived October 30
Total Tonnage		64,708		

GADANI - Port Position as of November 07, 2014

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Aghios Makarios	12,085	Bulk Carrier	Arrived November 05
2	Aston	16,111	Tanker	Arrived November 06
3	Coral III	7,335	Bulk Carrier	Arrived November 07
4	Guara	3,982	LPG	Arrived November 05
5	Nami	10,670	Tanker	Arrived August 25
Total Tonnage		50,183		

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