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Week 02



“Success is getting what you want, happiness is wanting what you get.”

- WP Kinsella

Highlights:

- Frantic start.
- Alarming steel falls.
- Watchful Pakistan.
- India plummets
- Extreme volatility present.

MARKET COMMENTARY

FUTURE UNCERTAIN!

The year has commenced in the frantic fashion with which 2015 finished i.e. with a large number of candidates being proposed and concluded for sale within a short space of time. Whilst another young container vessel was committed into India, the usual (nearly surging) supply of panamax and capesize bulkers persists - in what has become a reflection of the state of the struggling shipping sector.

The Indian market suffered some alarming falls in local steel prices with about USD 32/LDT lost since the start of the year alone. Bangladesh has likewise suffered falls of about USD 26/LDT since mid-December, despite some small improvements towards the end of the week.

A watchful Pakistan market has not secured any market vessels in this time, choosing as they customarily do, to place their levels off the back of sentiments in competing markets rather than leading the way themselves, despite demand persisting from Gadani buyers.

The fall in steel prices saw the Indian market plummet from top placed sub-continent market to lowest placed, with many end buyers once again fearing impending corrections in levels and choosing to (mostly) abstain from offering whilst the future remains ever-so uncertain.

With such extreme volatility returning to the markets, many concluded deals are once again facing problems with rumors of renegotiations and abandoned contracts coming forward – once a again a harsh reminder to owners to ensure they choose their cash buying counterparty wisely. For only USD 5/LT more on the price at the time of fixing, owners could ultimately be faced with a USD 20 – USD 30 / LT renegotiation at the time of delivery, should they go with untested buyers.

If the opening week of 2016 is any indication, it certainly appears to be a rollercoaster year for the ship recycling industry with difficult times ahead in a market that has suffered more than its fair share of declines in 2015.

For week 02 of 2015, GMS demo rankings for the week are as below:

Demo Ranking	Country	Market Sentiment	GEN CARGO Prices	TANKER Prices
1	Bangladesh	Weak	USD 270/ltd	USD 300/ltd
2	Pakistan	Weak	USD 265/ltd	USD 295/ltd
3	India	Weak	USD 260/ltd	USD 290/ltd
4	Turkey	Weak	USD 155/ltd	USD 160/ltd
5	China	Weak	USD 125/ltd	USD 145/ltd

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BANGLADESH

DOWN...BUT NOT OUT!

Open to buy at the right levels.

Panamax sales.

Despite securing a majority of the share of market tonnage before the New Year, Bangladesh managed to acquire a few choice units this week at decent prices.

The capesize fire sale continues (after around 96 sales last year – not quite the 100 that many were anticipating) as the Sinokor controlled SILVER MASTER (19,244 LDT) fetched USD 290/LT LDT with about 1,300 Ts bunkers expected at the time of delivery.

The other two sales of the week saw the Augustea panamax bulker RIRUCCIA (9,733 LDT) committed for a decent USD 283/LT LDT whilst Hanjin of South Korea sold their HANJIN NEW ORLEANS (9,997 LDT) for USD 275/LT LDT.

It seems that Bangladeshi buyers, despite all the tonnage sold and due to arrive, are still there to acquire at these new and declining levels, even as capacity in local yards becomes stretched.

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
HANJIN NEW ORLEANS	Bulker	9,997	USD 275/LT LDT
RIRUCCIA	Bulker	9,733	USD 283/LT LDT
SILVER MASTER	Bulker	19,244	USD 290/LT LDT (with 1,300 Ts bunkers ROB upon delivery)

INDIA

STEEL SLUMP!

Indian steel prices suffered catastrophic falls this week, losing ground nearly every day, to end the week about USD 32/LDT lower!

Alarming falls.

Panic set in as the Indian market lost its perch atop the weekly Indian sub-continent demo standings (plummeting to lowest placed) as local buyers withdrew their offers and sat on the sidelines in disbelief, waiting for a new lower sale to take place, just to peg market realities going forward.

Those high(er) priced sales concluded in the previous weeks will now be nervously awaiting delivery and it can only be expected that the vast majority of market tonnage in the immediate future will likely be concluded into competing markets - at least until some relatively sustained stability returns to Alang.

New lower realities expected.

The Indian market will certainly be needed as a competitive force to absorb their share of the market tonnage, especially if the ongoing levels of supply persist going forward.

Of the sales concluded, the 2001 built container vessel COMMODORE (12,861 LDT) fetched a remarkable USD 323/LT LDT earlier in the week before the worst of the falls set in. The Blumenthal controlled panamax bulker CONSUL POPPE (9,800 LDT) saw a decent USD 280/LT LDT in the last action of the week.

Huge price for container.

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
COMMODORE	Bulker	12,861	USD 323/LT LDT
CONSUL POPPE	Bulker	9,800	USD 280/LT LDT

PAKISTAN

RUNNING SCARED!

Scaling back.

Just as the Pakistani market was starting to gear up to step back into the fray, news of the decline in Indian steel plate prices began filtering through and end buyers started to scale back their numbers or even withdraw offers altogether, to fall in line with what their Alang counterparts were indicating.

No new sales.

The rumor circulating in Gadani is that the Indian government has yet to put into effect, the duty on Chinese steel that was announced at the end of last year. Whilst this may be true, the bureaucracy in India meant that the imposition of this new duty was always expected to take some time.

As such, there were no new sales for the Pakistani market and, despite demand remaining good there and fundamentals relatively unchanged, it will take some leadership and aggressive buying from local buyers to head back to the peak of the leader board.

NO MARKET SALES REPORTED

CHINA

STABILITY NEEDED!

With the capacity the Chinese market holds, it would be helpful to have China as a competitive market force to absorb the huge supply of vessels expected over the course of this year.

As it stands, the Chinese market remains stranded in the low-to-mid USD 100s/LDT and the only vessels likely to head to Chinese shores are Chinese flagged government controlled vessels eligible for the state subsidies.

Whilst the supply of ships from Chinese owners is also expected to continue at pace throughout the year, a halt to cheap Chinese exports and greater stability and demand in the domestic Chinese economy needs to be seen if any confidence is to return to global markets - especially after the shocking fluctuations in the stock market seen at the start of this year with nearly 14% declines reported last week alone.

*Competitive China
needed.*

*Halt to cheap steel
exports also needed.*

NO MARKET SALES REPORTED

TURKEY

TROUBLES CONTINUE...

Caution urged.

The Turkish market continued to struggle through the first week of 2016 and their troubles mirrored those of the weeks gone by i.e. Lira declines (reportedly of about 3% this week) were followed by a decline in prices for ships by about USD 5/MT.

Accordingly, the weakened sentiment maintained its pace and local Buyers remained conservative in their offerings, resulting in minimal fixtures into the local market last week. The diminished level of activity was reflected directly in the number of vessels concluded as only one vessel reportedly arrived the Aliaga waterfront last week.

Local pundits anticipate the negative trend to continue in the coming weeks and some are painting a more desperate picture, fearing declines of up to 15% in the near future. Caution is certainly urged for those owners looking to commit vessels into Turkey at this time.

NO MARKET SALES REPORTED

YOU DON'T SAY...

- *In 1939, the New York Times predicted that the television would fail because the average American family would not have enough time to sit around watching it.*
- *A man claims to have traveled to an alternate dimension in which The Beatles never broke up and bought back a mix tape of Beatles songs no one in our dimension has ever heard.*
- *In 1975, officials in the Chinese city of Haicheng were alarmed by odd and anxious behavior of dogs and other animals. This led them to evacuate the city, which only hours later, was hit with a 7.3 magnitude earthquake destroying nearly 90% of the city's buildings.*
- *Ernest Hemingway was not the only one in his family to commit suicide. His father, sister, brother, son, and granddaughter all committed suicide. This is the origin of the term "Hemingway curse".*
- *Apparently, 107 billion people are believed to have lived on earth.*
- *Even if the earth somehow drifted away from the Sun, the temperature of the molten core would be high enough to sustain life on the deep sea ocean floor.*
- *It rains diamonds on Saturn. Lightning storms turn methane into soot that hardens into chunks of falling diamonds.*

IMPORTANT DATES

INDIA	
BANK HOLIDAYS	BEACHING TIDES
January 14 – Makara Sakranti January 16 - Pongal January 26 – Republic Day	January 08 – January 16 January 21 – January 28

BANGLADESH	
BANK HOLIDAYS	BEACHING TIDES
No holidays in January	January 12 – January 15 January 26 – January 28

IMPORTANT BANK HOLIDAYS		
TURKEY	PAKISTAN	CHINA
No holidays in January	No holidays in January	No holidays in January

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ALANG - Port Position as of January 08, 2015

No.	VESSEL NAME	LDT	TYPE	STATUS
1	African 4	6,979	General Cargo	Beached January 06
2	Cape Canada	20,884	Bulk Carrier	Arrived December 29
3	Countess Sea	7,628	Bulk Carrier	Arrived January 04
4	Daio Creation	10,154	Woodchip	Arrived January 05
5	Delphia	18,839	Container	Arrived January 03
6	Dorikos	7,888	Container	Arrived January 05
7	Ema (Dead Vessel)	27,387	Pipe Laying	Beached January 08
8	Everglory	9,971	Bulk Carrier	Arrived January 05
9	Hanjin Marseilles	19,007	Container	Arrived January 03
10	Horizon Trader	17,110	Container	Beached January 08
11	Infinity	7,878	Bulk Carrier	Arrived October 04
12	Mahanuwara	1,528	Tug	Beached January 07
13	Mahaweli	985	Tug	Arrived December 18
14	Marc	7,030	Container	Beached January 08
15	Ploypailin Naree	6,095	Bulk Carrier	Beached January 01
16	Sea Fortune	10,360	Bulk Carrier	Beached January 08
17	Thermaikos	7,892	Container	Arrived January 04
18	Trader (Dead Vessel)	17,110	Container	Beached January 08
19	Turgut Reis	8,218	Bulk Carrier	Beached January 07
20	Voyager K	5,616	Bulk Carrier	Arrived January 04
21	Zena A	8,008	Container	Arrived January 08
Total Tonnage		226,567		

CHITTAGONG - Port Position as of January 08, 2015

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Ant (Dead Vessel)	5,408	Semi-Submersible	Arrived January 06
2	Balthazar	11,168	Bulk Carrier	Arrived December 29
3	C. Young	9,979	Bulk Carrier	Arrived January 07
4	Fortune Star	4,223	Bulk Carrier	Arrived January 05
5	GNS Donghae	9,865	Bulk Carrier	Arrived January 04
6	Nagil Batar	7,180	Bulk Carrier	Arrived January 02
7	Nemo 1	7,579	Vehicles Carrier	Arrived December 29
8	Tronica	10,454	Bulk Carrier	Arrived January 02
Total Tonnage		65,856		

GADANI - Port Position as of January 08, 2015

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Angara	11,750	Bulk Carrier	Arrived January 06
2	Panamax Applause	9,737	Bulk Carrier	Beached January 07
Total Tonnage		21,487		

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