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Week 49



“Don’t wait. The time will never be just right.”

- Napoleon Hill

Highlights:

- Recovery under way.
- Pakistan improvements.
- Halt on cutting.
- Bangladesh reacting.
- China gains.

MARKET COMMENTARY

SIGNS OF LIFE!

This week, the Indian market finally started to display some signs of life as local steel plate prices saw nearly a whole week of gains (of about USD 10/LDT) and the country gradually recovers from the ongoing cash crisis, in the wake of the crackdown on black market money.

Despite some heavy lobbying by end buyers and a series of different meetings held with government officials and lawmakers, Pakistan remained officially closed for yet another week. There are certainly going to be safety improvements mandated for local yards in Pakistan and human rights officials have been visiting Gadani this past week, to evaluate, recommend, and monitor the improvements being made.

For the time being, there is a total halt to all cutting activities and due to this, an artificial shortage of raw material available to the domestic steel mills has seen prices and demand rise sharply. Unfortunately, banks are now starting to clamp down on issuing new LCs as a shutdown in recycling activities has left local recyclers unable to make payments on their previous loans – a worrying situation that is starting to unfold locally.

This has left Bangladesh as the only viable market over the last few weeks and end buyers there have started to wake up to this new reality, taking in several of the larger LDT units this week, including one more capesize bulker.

Another interesting facet to the market as we enter the last month of the year has been the re-emergence of China as a viable competitor to the Indian sub-continent once again. Levels are about USD 50/LDT away from India at present, as China becomes a potential market, not only for smaller LDT vessels positioned in the area, but also for green candidates.

For week 49 of 2016, GMS demo rankings for the week are as below:

Demo Ranking	Country	Market Sentiment	GEN CARGO / BULKER Prices	CONTAINER / TANKER Prices
1	Bangladesh	Steady	USD 280/ltd	USD 310/ltd
2	Pakistan	Steady	USD 275/ltd	USD 305/ltd
3	India	Improving	USD 265/ltd	USD 295/ltd
4	China	Improving	USD 220/ltd	USD 230/ltd
5	Turkey	Steady	USD 200/ltd	USD 210/ltd

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BANGLADESH

BUYING BULK!

Pendulum swings.

The recent closure of the Pakistani market has seen the pendulum swing back towards Bangladesh - in terms of buying the largest LDT and highest profile dry bulk vessels in the market.

Another Capesize vessel was committed this week as the 1999 built Starbulk of Greece controlled unit STAR DESPOINA (21,471 LDT) fetched a rather firm USD 315/LT LDT, with the 1200 Tons of bunkers ROB playing a critical role in fetching the fantastic price on show.

Bulkers sold.

This takes the total number of capes sold for the year to just over 85 as many were hoping to see the 100 mark breached by the end of the year, further reducing the global fleet size with 96 units sold in total during 2015.

The other sale for the week concerned the handymax bulker HAWK (7,733 LDT), which fetched USD 295/LT LDT for a prompt sale, having been discharging in the area.

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
HAWK	Bulker	7,733	USD 295/LT LDT
STAR DESPOINA	Bulker	21,471	USD 315/LT LDT (including 1,200 Tons of bunkers)

INDIA

TURNAROUND IMMINENT?

The crisis that had beset the market for the previous two weeks, a cash crunch following Mr. Modi's crackdown on black market money, coupled with consecutive days of declining steel plate prices, finally showed signs of abating this week.

Crisis abates.

Steel gains by as much as USD 10/Ton over the course of the week and a currency that has finally stabilized in the low Rs. 68s against the U.S. Dollar seems to have brought with it, some (much-needed) confidence to acquire once again.

Of course, Indian buyers have seen much of the market tonnage, particularly favored container vessels, committed to competing markets of late. Moreover, Pakistan's ability to take in container vessels after several successful beachings has certainly eased the pressure on the Indian market, given the volume of these vessels sold during the second half of the year.

Pressure on containers eased.

With the Rs. 500 and Rs. 1,000 notes having been taken out of circulation, it may take several more weeks of stability to truly bring Indian buyers back to the table once again, but some increased enquiries this week hint at a market on the "up".

Lack of sales.

Finally, a shortage of recent sales and a lack of vessels at anchorage hopefully points to the possibility of a greater demand emanating from the Indian market in the coming weeks and improved prices as we enter 2017.

PAKISTAN

APPREHENSION HOVERS!

Ongoing closure.

Despite the continuing closure of the Pakistani market coupled with the ongoing shortage of material heading to domestic steel mills, sales are continuing to register to eager end buyers who are keen to exploit rising steel prices once the market reopens again.

However, it was somewhat surprising to see three Capesize units at anchorage, given the increased freight rates in this particular sector and the flavor acquired for container vessels by Gadani recyclers of late.

Talks continue.

Meanwhile, authorities have been locked in talks with industry players all week, as end users desperately petition to permit the cutting of vessels on their plots once again. There is a sense of apprehension and confusion hovering over the industry until the official green light is given to commence recycling activities once again.

On the sales front, a single market fixture for the week saw the handymax bulker GIORGOS B (7,484 LDT) committed for USD 289/LT LDT from Greek owners.

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
GIORGOS B	Bulker	7,484	USD 289/LT LDT

CHINA

PICKING UP!

The recent improvement in Chinese rates has seen a number of internationally controlled, geographically positioned units as well as units intended for green-recycling being committed to domestic yards at rates above USD 200/LDT.

The main supply of scrap tonnage continues to be Chinese flagged government units eligible for the ongoing state subsidies and these owners continue to receive a premium of about USD 150/Ton to scrap their vessels at Chinese chop-shops.

It is therefore encouraging to see China being competitive for the first time in several years (due to rising local steel prices and demand) and we can only hope this momentum is maintained going into the New Year and beyond the Chinese New Year as well.

Rising rates.

Encouraging signs.

NO MARKET SALES REPORTED

TURKEY

TURKISH TREMBLE!

TRY breaks 3.55

The Turkish market remains tense, given the record historic lows that the Turkish Lira has been hitting against the U.S. Dollar on a weekly basis, finally breaking past the TRY 3.55 mark this week.

As a result, despite firming local steel plate prices (that improved further by about USD 5/MT this week), local recyclers remain nervous to offer higher levels for potential candidates as prices remain steady over the last several weeks.

High offers possible.

Notwithstanding, local yards remain eager to negotiate larger LDT units and given the ongoing dearth of meaningful local fixtures, the anticipation is that Turkish recyclers might even offer above existing levels for the right unit.

NO MARKET SALES REPORTED

FUN FACTS

- ✚ *Bin Laden's death was announced on 1st May 2011. Hitler's death was announced on 1st May 1945.*
- ✚ *J.K. Rowling chose the unusual name 'Hermione' so young girls wouldn't be teased for being nerdy!*
- ✚ *Hewlett-Packard's name was decided in a coin toss.*
- ✚ *The total number of steps in the Eiffel Tower are 1665.*
- ✚ *The toothpaste 'Colgate' in Spanish translates to 'go hang yourself'.*
- ✚ *Pirates wore earrings because they believed it improved their eyesight.*
- ✚ *Los Angeles's full name is "El Pueblo de Nuestra Senora la Reina de los Angeles de Porciuncula."*
- ✚ *In England, in the 1880's, "Pants" was considered a dirty word.*
- ✚ *It snowed in the Sahara desert for 30 minutes on the 18th February 1979.*
- ✚ *Every human spent about half an hour as a single cell.*
- ✚ *If you leave everything to the last minute... it will only take a minute.*
- ✚ *The first alarm clock could only ring at 4am.*
- ✚ *Birds don't urinate.*
- ✚ *Slugs have 4 noses.*

IMPORTANT DATES

INDIA	
BANK HOLIDAYS	BEACHING TIDES
December 13 – Eid-e-Milad December 25 - Christmas	November 28 – December 05 December 11 – December 19 December 27 – January 01

BANGLADESH	
BANK HOLIDAYS	BEACHING TIDES
December 16 – Bijoy Dibosh December 25 - Christmas	November 30 – December 04 December 15 – December 17

IMPORTANT BANK HOLIDAYS		
TURKEY	PAKISTAN	CHINA
No holidays in December	December 25 – Birthday of Jinnah	No holidays in December

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ALANG - Port Position as of December 02, 2016

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Angel	22,002	Container	Beached December 02
2	Bangsa	21,511	Container	Beached December 02
3	Cyprus	22,976	Container	Beached December 01
4	Ela S	10,550	Container	Arrived November 24
5	Infinity	7,878	Bulk Carrier	Arrived October 04
6	Jumme Trader	10,539	Container	Arrived November 29
7	Nawal III	1,199	General Cargo	Arrived November 22
8	Ogasa	4,434	Passenger	Arrived November 23
9	Pearl	23,070	Container	Arrived December 01
10	RT Aegir	10,462	Container	Beached December 01
Total Tonnage		134,621		

CHITTAGONG - Port Position as of December 02, 2016

No.	VESSEL NAME	LDT	TYPE	STATUS
1	BNS Umar Farooq	2,101	Frigate	Beached November 19
2	Bonny 1	12,613	Container	Arrived November 23
3	Bull	21,585	Container	Beached December 02
4	Deli	16,121	Container	Beached December 02
5	Mag A	5,550	General Cargo	Arrived November 28
6	Mighty Royal	7,162	Bulk Carrier	Beached November 30
7	Regal	16,180	Container	Arrived November 25
8	Saga G	5,550	General Cargo	Arrived November 29
9	Victory Union	11,910	Bulk Carrier	Arrived November 12
Total Tonnage		98,772		

GADANI - Port Position as of December 02, 2016

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Amir H	5,903	Bulk Carrier	Arrived November 26
2	C. March	17,731	Bulk Carrier	Beached November 29
3	Uma	24,205	Container	Beached November 30
4	Vijitra Naree	6,598	Bulk Carrier	Beached November 26
Total Tonnage		54,437		

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