

January 23rd, 2015
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Week 04



“Discretion is being able to raise your eyebrow instead of your voice.”

- Anonymous

Highlights:

- Frenzied pace.
- 10 capes circulating.
- New realities.
- Outside influences.
- Renewed optimism.

MARKET COMMENTARY

FIRE SALE!

With some frantic selling having taken place in the first few weeks of the year, an already traumatized ship recycling market has been placed under greater pressure with a sudden influx of tonnage – particularly in the capesize bulker sector (as highlighted last week).

Indeed, there are currently around 10 capes circulating in the market - either sold already, working firm, or due to invite offers imminently. For those end buyers keen to acquire (to try and even out the losses of last year), they are holding on to a safe price, confident that levels may come down further should this supply persist.

Each week over the past few months seems to have brought with it a new reality on prices and for many owners and cash buyers, it has been extremely frustrating to be constantly chasing down the market. However, there now appears to be a far greater sense of realism in the industry with many end buyers prepared to offer on tonnage rather than adopting the wait-and-watch mentality.

It is hoped that outside influences may also have a positive impact on recycling markets with the ECB stimulus package for the Eurozone announced this week, which is hoped would bring greater confidence and hopefully boost commodity prices.

The end of the week saw some renewed optimism in both Pakistan and India, with the Indian Rupee having gained further ground and steel prices having clawed back some of the ground lost over the previous few weeks.

Both Pakistan and India are yet to implement increased duties on the cheap Chinese steel being imported, but the announcement of expected measures has offered some encouragement to anxious end users.

For week 4 of 2015, GMS demo rankings for the week are as below:

Demo Ranking	Country	Market Sentiment	GEN CARGO Prices	TANKER Prices
1	Pakistan	Weak	USD 390/ltd	USD 415/ltd
2	India	Weak	USD 390/ltd	USD 415/ltd
3	Bangladesh	Weak	USD 385/ltd	USD 410/ltd
4	Turkey	Weak	USD 305/ltd	USD 315/ltd
5	China	Weak	USD 220/ltd	USD 250/ltd

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BANGLADESH

DECLINE AND FALL!

Missing out.

Bangladesh declined to the lowest placed sub-continent market this week (having secured numerous capesize bulkers in previous weeks) and any offers that were forthcoming were only at bargain rates, well below the market.

For this reason, it looks as though Bangladeshi buyers are going to miss out on their share of the market tonnage for the foreseeable future with many capes being diverted to Pakistan – even those units coming from the Far East.

Business affected.

Political unrest has gripped the country again at the start of the year and the constant blockades and strikes are having an effect on working hours and banks. As such, it is proving more difficult than ever to get local LCs opened and released on time because of which, banks are being extra cautious on extending credit lines as well.

NO MARKET SALES REPORTED

INDIA

FIGHTING TALK!

By the end of the week, there were signs that sentiment had started to turn in India with the Indian Rupee trading at a healthy Rs. 61.4 against the U.S. Dollar and with steel prices clawing back some of the ground lost over the previous few weeks.

Clawing back ground.

Much of the tonnage being offered in the market was not really of interest to Indian buyers – their preferred containers and smaller LDT / beam units were not readily available. The majority of the capesize bulkers seem destined for either Chittagong or Gadani shores, a sector that is providing the steadiest supply at present.

Capacity remains excellent locally with many end users having (luckily) abstained from filling their plots whilst prices tumbled by around USD 100/LDT (a 20% correction!).

Capacity good.

As a result, there were few market sales to speak of.

However, if sentiment and demand pick up as expected, then that will change in the coming weeks.

Need to adapt.

Most end buyers prefer smaller LDT tonnage due to the constant volatility in the Indian market and the fact that they can cut smaller units in quicker time in case the market is falling, but if fundamentals and prices remain at workable levels then this mentality may change in order to secure available tonnage.

NO MARKET SALES REPORTED

PAKISTAN

SHOOTS OF REVIVAL!

Capes diverted.

As a number of capesize units coming from the East (and seemingly destined for Bangladeshi shores where such vessels are favoured) were diverted to Gadani buyers, many locally began to feel the shoots of revival following the news that the government was set to increase duties on the cheap imported Chinese billets.

As with India, where process and procedure is as slow as ever, whilst the intention to increase taxes has been made clear, nothing has yet been implemented.

Dipping back in.

However, a number of buyers who had wisely remained quiet over the previous few months decided that now was the time to dip back into the market to acquire vessels (both private and from existing cash buyer inventories), particularly larger LDT capesize bulkers, at safe levels again.

NO MARKET SALES REPORTED

CHINA

NO SURPRISE!

With levels stranded in the low USD 200s/LT LDT, it was no surprise to see no new vessels committed into the Chinese market for another week.

It will remain a quiet year on this front as the government subsidies that are artificially keeping prices low, are set to run until the end of 2015.

State owners with Chinese flagged tonnage will continue to sell their older vessels for sale within China and this will keep yards busy (on the scrapping as well as new-building front) whilst ensuring Sellers receive the generous subsidy for recycling their units within China.

Prices artificially low.

TURKEY

LIMBO RETURNS?

Recyclers nervous over steady fundamentals.

With no fundamental changes during the last week, the Turkish market is still anticipating positivity to prevail, in order to justify the recent speculative jump in prices by the end buyers.

Tonnage beached so far this month consists primarily of small lightweight units between 1,000 – 3,000 LDT. With the exception of a couple of larger LDT vessels, which are expected to arrive during February, Aliaga seems to be starving for quality tonnage despite their recent aggressiveness.

Some of the recycling facilities are now operating normally due to the recent supply, but their main concern seems to have switched from acquiring tonnage to not facing losses when the time comes to resell the recycled steel, as local fundamentals remain relatively unchanged and tonnage acquired potentially more expensive than justified by local fundamentals.

NO MARKET SALES REPORTED

HMMMMM...

- *The giant squid has the largest eyes in the world.*
- *The "L.L." in L.L. Bean stands for Leon Leonwood.*
- *The longest one-syllable word in the English language is "screeched."*
- *The longest recorded flight of a chicken is thirteen seconds.*
- *The longest word in the English language, according to the Oxford English Dictionary, is pneumonoultramicroscopicsilicovolcanoconiosis. The only other word with the same amount of letters is pneumonoultramicroscopicsilicovolcanoconioses, its plural.*
- *The Boston University Bridge (on Commonwealth Avenue, Boston, Massachusetts) is the only place in the world where a boat can sail under a train driving under a car driving under an airplane.*
- *The cruise liner, Queen Elizabeth II, moves only six inches for each gallon of diesel that it burns.*
- *The Earth weighs around 6,588,000,000,000,000,000,000 tons.*

IMPORTANT DATES

INDIA	
BANK HOLIDAYS	BEACHING TIDES
January 26 – Republic Day	January 19 – January 26
February 27 - Mahashivratri	February 01 – February 08 February 17 – February 24

BANGLADESH	
BANK HOLIDAYS	BEACHING TIDES
February 21 – Shahid Dibosh	February 06 – February 08 February 20 – February 22

IMPORTANT BANK HOLIDAYS		
TURKEY	PAKISTAN	CHINA
No bank holidays in February	February 05 – Kashmir Day	February 18 – Special Working day February 19 – 24 – First Lunar Month

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ALANG - Port Position as January 23, 2015

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Asian	10,730	Oil Tanker	Beached January 19
2	Alba Star	2,522	General Cargo	Beached January 23
3	Nariobi I	11,618	Container	Beached January 21
4	Odessa Star	9,481	Container	Beached January 23
5	Silva Ex Nami (Dead Vessel)	10,670	Tanker	Beached January 21
6	Southern Chamipion	1,723	Fishing Vessel	Beached January 20
7	Thai Dawn	7,780	General Cargo	Beached January 18
8	Thea	13,753	General Cargo	Arrived January 21
Total Tonnage		68,277		

CHITTAGONG - Port Position as of January 23, 2015

No.	VESSEL NAME	LDT	TYPE	STATUS
1	ACS 8	1,849	Tanker	Beached January 22
2	Barguzin	1,338	General Cargo	Arrived January 08
3	Bright	2,877	General Cargo	Arrived January 19
4	Delfi	7,926	Bulk Carrier	Beached January 21
5	Gregory (Dead Vessel)	6,457	RoRo	Arrived January 21
6	Hoang Son Sun	5,302	Bulk Carrier	Arrived January 20
7	Ios Victory (Dead Vessel)	1,963	Offshore Tug	Arrived January 19
8	Kurilskaya Gryada	1,997	Reefer	Arrived January 16
9	Mediterraneo	6,883	Container	Beached January 20
10	Perun	5,212	General Cargo	Beached January 18
11	Silver Mariner	21,478	Bulk Carrier	Arrived January 22
12	Win	7,447	Bulk Carrier	Beached January 20
13	Yang Pride	2,040	Waste Disposal Ship	Arrived January 20
14	Yenisey	8,057	Bulk Carrier	Beached January 22
Total Tonnage		80,826		

GADANI - Port Position as of January 23, 2015

No.	VESSEL NAME	LDT	TYPE	STATUS
1	General Piar	16,348	Bulk Carrier	Arrived January 22
2	Pique	13,624	Tanker	Arrived January 21
3	Princess Natalie	9,161	Bulk Carrier	Arrived January 23
Total Tonnage		39,133		

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