

December 20, 2013
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Week 51



**"Everything will be okay in the end.
If it's not okay, it's not the end."**

- Unknown

Highlights:

- Pricing picks up.
- Gambles pay off?
- Controversy reigns.
- Currencies stabilize.
- China impact.

MARKET COMMENTARY

INTRIGUES ENDURE!

In all Indian sub-continent markets, demand and pricing picked up dramatically to finally bring about the fourth quarter surge that many owners and cash buyers had been banking on.

A number of speculative gambles on high LDT and high profile container vessels may even be set to pay off through a lack of other candidates and an aggressive hunger from end buyers to acquire units once again – many with a specific desire to fill plots before year-end for banking purposes.

Controversy however still reigns throughout almost all markets – with strikes having beset Bangladesh and India recently, hot works rumors on tankers swirling around the Pakistan market, and China drastically subdued due the government led incentive on Chinese flagged scrap candidates.

However, the good news sees currencies in both India and Pakistan finally starting to stabilize (down to 61 and 106 to the USD respectively) – something that has seen confidence restored to end buyers who in turn are competing on tonnage once again.

It is a far more precarious state of affairs in Bangladesh however, with political intrigues, executions, strikes, blockades and impending elections dominating the scene. A market for only the foolhardy perhaps – but if played correctly the rewards may well be there as end buyers are keen to acquire and prices are bouncing back amidst speculation on an upswing in commodities in times of crisis.

For cash buyers and many non-state run owners without Chinese flagged vessels, the China market was becoming something of an enigma with a virtual lock out for all those not entitled to the recently announced state subsidies of USD 750/GRT. With the subsidies set to run until 2015 at least, it is set to be a frustrating couple of years in this market with yards tempering their offers on international units, due to the constant and cheap supply of local tonnage.

For week 51 of 2013, GMS demo rankings for the week are as below:

Demo Ranking	Country	Market Sentiment	GEN CARGO Prices	TANKER Prices
1	India	Bullish	USD 410/ltd	USD 440/ltd
2	Bangladesh	Bullish	USD 405/ltd	USD 435/ltd
3	Pakistan	Bullish	USD 400/ltd	USD 430/ltd
4	China	Weak	USD 330/ltd	USD 340/ltd

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BANGLADESH

RISKY BUSINESS!

Keen to speculate.

The execution last week of the Islamic opposition party leader left the country, if not the ship recycling industry, in a state of extreme turmoil. In times like these, canny end buyers have shown themselves to be keen to speculate on an increase in commodity prices (steel being the key denominator here) and began to offer increasingly bullish numbers in order to secure tonnage.

Remarkable revival on steel.

After the steel slump that saw over USD 50/LT LDT knocked off prices during the third quarter of the year (several handysize bulkers were sold for USD 350/LT LDT and below), Chittagong buyers have enjoyed something of a remarkable revival since then and have begun stocking up on tonnage once again.

A lack of favored large LDT units however – any tankers or VLCCs gas free for man entry appear to be headed for the Pakistan market due to the costs associated with cleaning – is leading buyers to offer increasingly bullish numbers just to get vessels on their plots.

An increase in chartering rates and India's renewed optimism (and demand for available containers) means that end buyers are having to offer above market at the moment just to secure units.

INDIA

STARS ALIGN...?!

Having supposedly seen and come through the worst of the currency crisis this year, the Indian market has been enjoying something of a mini revival over the past few weeks and is top billing for almost all types of vessels offered for sale.

The political situation in Bangladesh and the concerns surrounding the Pakistani Rupee has played into their hands in previous weeks and end buyers (with almost half of all yards empty) grabbed the opportunity with both hands to stock up on tonnage.

The Indian Rupee too has spent another encouraging week trading in and around Rs. 61 to the USD as end buyers continued to further display their willingness of returning to the bidding tables after what has been an extremely turbulent past year (that has put several yard owners out of business).

Finally, steel prices too responded positively to the end of the truckers strike last Saturday and end buyers began to get their heads around acquiring the glut of container tonnage on the market – much of which cash buyers had chosen to speculate on at levels above the market.

Despite the overall positive vibe, market fixtures remained few and far between.

Worst over..?

Encouraging week.

Trucker strike over.

NO MARKET SALES REPORTED

PAKISTAN

UPPING THE ANTE!

Ready to engage.

Pakistan buyers started to up the ante on available tonnage this week, fed up of seeing their competitors in India and Bangladesh securing most of the market tonnage.

A renewed optimism filtered into the market off the back of an improving currency – the Pakistani Rupee fell back down to 106 against the USD - having spent much of the preceding month teetering at an unprecedented and historical PKR 108 – 109 to the Dollar.

Tonnage committed.

As a result, several more cash buyer vessels – largely tankers gas free for man entry bought on an ‘as is’ basis (including one or two unsold VLCCs) were committed at decent rates comparable with both India and Bangladesh.

This was just as well, because rumors started to circulate during the week that any incoming tankers from now on will have to be cleaned to a gas free for hot works standard, as in India and Bangladesh – more on this in the coming weeks as the situation develops.

NO MARKET SALES REPORTED

CHINA

LACKING INCENTIVE TO COMPETE!

Rumors of a capesize bulker sold this week for around USD 330/LT LDT have done little to encourage Chinese yards to improve their numbers to fall into line with international sentiment.

A slew of cheap and well maintained Chinese flagged tonnage from state owners has kept the market artificially low (despite steel prices remaining far from impressive) – with owners happy to sell for less than the going rate with the recently announced scrap benefits of about USD 750/GRT coming into play.

As long as this supply continues to Chinese yards, there will be very little incentive to increase offers and compete on tonnage that will only end up in sub-continent hands anyway, due to the widening gap between the two markets.

Artificial lows.

NO MARKET SALES REPORTED

HMMMMMM...

- *Attila the Hun (invader of Europe; 406-453), Felix Faure (French President; 1841-1899), and Pope Leo VIII (d 963-965) all died while having sex.*
- *Audrey Hepburn's real name was Edda van Heemstra Hepburn-Ruston.*
- *Australia has no native monkeys. (in the wild)*
- *Australia is a major exporter of camels*
- *Australia is the only country that is also a continent.*
- *Australian termites have been known to build mounds twenty feet high and at least 100 feet wide.*
- *Australians consume 60% more coffee than tea, a six-fold increase since 1940.*
- *Australia's box jellyfish has toxins more potent than the venom in cobras, and is one of the most dangerous jellyfish in the world*
- *Average calories burned daily by the sled dogs running in Alaska's annual Iditarod race: 10,000.*
- *Average length of a coat hanger when straightened: 44 inches.*
- *Average number of eggs laid by the female American Oyster per year: 500 million. Usually only one oyster out of the bunch reaches maturity.*
- *Average number of hummingbirds required to create the weight of 1 ounce: 18.*

IMPORTANT DATES

INDIA	
BANK HOLIDAYS	BEACHING TIDES
December 25 - Christmas	Dec 01 – Dec 09 Dec 16 – Dec 31

BANGLADESH	
BANK HOLIDAYS	BEACHING TIDES
December 25 – Christmas December 31 – Bank Holiday	Dec 02 – Dec 06 Dec 17 – Dec 20

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ALANG - Port Position as of December 20, 2013

No.	VESSEL NAME	LDT	TYPE	STATUS
1	BSL India Express Ex. India Express	7,140	General Cargo	Beached December 20
2	Energy 3	3,200	General Cargo	Beached December 17
3	Esraa	2,555	General Cargo	Beached December 18
4	Ji Yang	4,085	Reefer	Arrived July 23
5	Lady Nada Y Ex. Lady Nada	5,886	Bulk Carrier	Beached December 18
6	Lion Ex. Angel	9,110	Bulk Carrier	Beached December 19
7	Maranjós	1,773	General Cargo	Arrived November 27
8	Marisa (Dead Vessel)	13,385	Tanker	Beached December 16
9	Motilal Nehru	17,037	Tanker	Beached December 19
10	Paul Ex. Paula 1	6,894	Bulk Carrier	Arrived December 19
11	Thebeland	10,992	RoRo	Arrived December 19
12	Trader 2	1,965	General Cargo	Beached December 20
Total Tonnage		84,022		

CHITTAGONG - Port Position as of December 20, 2013

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Banglar Robi	6,050	General Cargo	Beached December 17
2	FSO Shanghai (Dead Vessel)	10,229	Tanker	Beached December 19
3	Ice	8,017	General Cargo	Arrived December 02
4	Ocean Mate	7,307	Bulk Carrier	Beached December 17
5	Vasily Burkhanov	11,034	RoRo / General Cargo	Arrived December 18
Total Tonnage		42,637		

GADANI - Port Position as of December 20, 2013

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Al Amal	6,333	Bulk Carrier	Beached December 14
2	Champ Ex. Front Champion	41,144	VLCC	Beached December 15
3	Leila	1,242	Roro	Arrived December 18
4	Pergiwo	7,415	Tanker	Beached December 20
5	Rina	10,454	Tanker	Beached December 19
6	Sanorita Ex. Shinyo Navigator	42,449	VLCC	Beached December 15
Total Tonnage		109,037		

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