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Week 12

Highlights:

- Sales rack up.
- Sub-continent fundamentals steady.
- Levels expected to soften.
- Pakistan takes containers!
- China + Turkey some way behind.

Cash Buyer to be ISO 9001:2008 Certified

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QUOTE of the WEEK

"A Winner is a just a Loser who tried one more time."

- George M. Moor, Jr.

MARKET COMMENTARY

SUPPLY PERSISTS!

As charter rates on wet and dry vessels continue to impress, a significant shortage in supply of vessels for recycling can be expected in the coming weeks. Although volumes are certainly down from last year (the second highest year on record behind 2012 on scrapping) there has still been a steady supply of tonnage from almost all sectors – a fact ably demonstrated this week with the sale of two handysize bulkers, one LPG, a tween and another larger LDT container (into China from state owners).

Fundamentals and demand across all Indian sub-continent markets remains steady, yet certain overzealous purchases in recent times by speculative cash buyers do not look set to pay off, amidst concerns that the market may already have peaked and the only way ahead is down.

Indeed, it would not be foolhardy to suggest that levels for the next few months (as monsoon season approaches) will be lower as the traditional first quarter surge on prices starts to recede. The Bangladeshi market is already displaying signs of exhaustion and the demand for usually favored larger units is virtually non-existent locally with the focus having shifted to the acquisition of smaller to mid-range vessels.

Pakistan this week offered a helping hand to those cash buyers struggling to sell their vessels into India, at anywhere near the asking price (breakeven levels in many cases).. Gadani buyers are not traditionally known for taking container units, this may be an interesting experiment to see if their fears on draft levels can be allayed and if they can offer up an interesting alternative to India, for cash buyers and owners alike.

China and Turkey prices remained marooned some way behind their Indian sub-continent competitors (by as much as USD 150/LT DT) but supply to these markets was still forthcoming from lower LDT vessels positioned in the area, green vessels, or in the case of China, from state owners enjoying the generous scrapping subsidies on offer.

For week 12 of 2014, GMS demo rankings for the week are as below:

Demo Ranking	Country	Market Sentiment	GEN CARGO Prices	TANKER Prices
1	India	Steady	USD 435/lt ldt	USD 465/lt ldt
2	Pakistan	Steady	USD 430/lt ldt	USD 460/lt ldt
3	Bangladesh	Weak	USD 420/lt ldt	USD 450/lt ldt
4	China	Weak	USD 320/lt ldt	USD 330/lt ldt
5	Turkey	Cautious	USD 320/lt ldt	USD 330/lt ldt

BANGLADESH

HANDIES SOLD!

Lower LDT demand persists.

Two bulkers sold.

The demand for lower LDT units persisted into this week as another couple of sales of handysize bulkers were concluded.

The G Bulk controlled ARIADNE (7,198 LDT) fetched an incredible USD 475/LT LDT from an unknown cash buyer (always a risky business with new and obscure names with no track-record on performance). The suspicion is that the concerned cash buyer may look to trade the vessel with one or two cargoes as this price does not seem obtainable at all in today's market.

The HONG KONG PEARL (7,320 LDT) was sold for a far more reasonable USD 450/LT LDT with a USD 10/LT LDT premium due for the 250-300 T bunkers that the vessel will deliver with.

For the time being, it appears Bangladeshi buyers (like in India) are focusing on smaller LDT vessels and are paying a premium for the same. Many of the larger LDT buyers have already booked and beached vessels this year and will need another cycle before they come back aggressively into the game.

Topping things off is the shortage in supply of larger LDT vessels (other than on containers) at present as well.

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
ARIADNE	Bulker	7,198	USD 475/LT LDT
HONG KONG PEARL	Bulker	7,320	USD 450/LT LDT (with 300 T bunkers upon delivery)

INDIA

CONTAINER STANDOFF!

Containers diverted.

The container standoff between cash buyers and end buyers continued for another week – something that saw several panamax sized units sold to Pakistan buyers in an unprecedented move. Time will tell whether Gadani buyers come to value containers as highly as tankers in India and Bangladesh, despite the draft issues they have long complained about.

Most cash buyers who acquired containers at huge levels in the past month or so look set to lose money on these speculative purchases, as the local market has simply not been able to support the levels being asked for.

Fundamentals settle.

Overall, the currency has steadied into the Rs. 61 range against the U.S. Dollar and steel prices, despite frequent daily fluctuations, are not causing too much concern at present. Indeed, demand remains healthy locally – particularly for smaller LDT units between 5-12,000 LDT (due to lower cutting time required and a generally larger number of yards with LC limits available to negotiate tonnages in this size range).

Tween and LPG sold.

Two units of interest were sold this week – the Naftomar controlled smaller LPG GAZ SYMPHONY (4,756 LDT) fetched an impressive USD 468/LT LDT 'as is' Fujairah with 500 T bunkers remaining on board, and the Nanjing Kingship tween, KING HERO (7,116 LDT) achieved USD 455/LT LDT for a forward end May delivery.

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
GAZ SYMPHONY	LPG	4,756	USD 468/LT LDT ('as is' Fujairah with 500 T bunkers)
KING HERO	Tween	7,116	USD 455/LT LDT

PAKISTAN

CONTAINER LANDMARK!

Buyers ready to acquire.

Improving demand and levels in Pakistan saw local buyers pick up a number of their favored larger LDT units from existing cash buyer inventories – remarkably including several of those hard to sell panamax-sized containers.

This could be a breakthrough moment for Gadani buyers who previously rejected containers on the grounds of draft issues that affect an effective beaching. With India and Bangladesh overall paying the same levels for containers as for tankers (due to the quality and lower wastage of the steel and comparatively larger sized propellers enhancing their resale values), this could give owners more options and greater competition on prices for any incoming vessels.

Market sales – elsewhere.

However, the market sales for the week took place between India and Bangladesh with only less fancied (in Pakistan) lower LDT tonnage being concluded this week.

NO MARKET SALES REPORTED

CHINA

STATE SUPPLY STEADY!

Sales between state owners and local yards continued to rack up with news of a 19,000 LDT TBN Cosco container having been sold for region USD 326/LT LDT into South China.

Container sold.

Even though the gap between Indian sub-continent prices and China stands around the USD 150/LT LDT mark – other south Asian recycling facilities in Vietnam and Indonesia (capable of only really taking smaller vessels) would also be competitive with China levels today.

Other Chinese private owners are also looking at actively reflagging their vessels – even though the process is cumbersome – in order to qualify for the state subsidies on scrap vessels and corresponding new-buildings.

NO MARKET SALES REPORTED

TURKEY

Looking to buy...

Local Buyers remain eager.

Yet another "dry" week has gone by with minimal recycling activity followed by an expected minimal inflow of vessel's locally. Local prices have improved marginally this week, which hopefully will attract some interest.

From the currency perspective, the TRY depreciated slightly against the USD from TRY 2.218 to TRY 2.232 by COB Friday.

End buyers are becoming eager to purchase units as they need to keep their yards operating. And with the low supply of vessels on show, some may be more aggressive by taking slightly more risk to try and secure tonnage their way.

NO MARKET SALES REPORTED

HMMMMMM…

- *The world's largest exporter of beef isn't the United States; it's Australia.*
- *Hawaii is the most geographically isolated land mass in the world.*
- *In the 16th century, gin was referred to as "mother's ruin" because people thought it could induce an abortion.*
- *Istanbul, Turkey, is the only city in the world that lies in two continents.*
- *100,000,000,000 solar neutrinos pass through every square inch of your body every second.*
- *The device used to measure your foot at a shoe store is called a "Brannock Device."*
- *If you put a can of Diet Coke in water, it floats. Regular Coca-Cola sinks.*
- *Apparently, if you eat a Polar Bear's liver, you will die of a vitamin A overdose.*
- *If you combine all the ants in the world, they'll weigh about the same as if you combine all the people.*
- *Humans have had dogs as companions and workers for more than 14,000 years.*
- *A snail can sleep for more than three years at a time.*
- *Everyone on earth is born with the ability to wiggle their ears, but if you don't learn how early on, the muscle atrophies and you can't learn any longer.*

IMPORTANT DATES

INDIA	
BANK HOLIDAYS	BEACHING TIDES
No more holidays in March	Mar 28 – Apr 04
April 13 – Mahavir Jayanthi April 18 – Good Friday	Apr 14 – Apr 21 Apr 26 – May 04

BANGLADESH	
BANK HOLIDAYS	BEACHING TIDES
March 26 – Independence Day	Mar 30 – Apr 03
April 14 – Bangla New Year's Day	Apr 15 – Apr 19 Apr 29 – May 02

ALANG - Port Position as March 21, 2014

No.	VESSEL NAME	LDT	TYPE	STATUS
1	*Al Majed H*	*1,481*	*General Cargo*	*Beached March 15*
2	Barbaros Kiran	10,431	Bulk Carrier	Arrived March 16
3	*Esguifinsa*	*4,565*	*General Cargo*	*Beached March 15*
4	*Eurocargo Africa*	*13,221*	*RoRo*	*Beached March 17*
5	*Irene*	*18,888*	*Container*	*Beached March 17*
6	**Ji Yang**	**4,085**	**Reefer**	**Arrived July 23**
7	*Kaptan Nevzat Kacar*	*7,755*	*Bulk Carrier*	*Beached March 14*
8	*LTI Integrity*	*4,387*	*General Cargo*	*Beached March 17*
9	Meral Queen Ex. Abdul Prince	5,526	General Cargo	Arrived March 20
10	Mistral	6,332	Bulk Carrier	Arrived March 21
11	Moniuszko	7,455	General Cargo	Arrived March 22
12	*Santi Ex. Santiago*	*10,033*	*Container*	*Beached March 19*
13	*Yalibel (Dead Vessel)*	*7,985*	*Bulk Carrier*	*Beached March 15*
Total Tonnage		**102,145**		

CHITTAGONG - Port Position as of March 21, 2014

No.	VESSEL NAME	LDT	TYPE	STATUS
1	*Alabama Belle*	*8,169*	*Bulk Carrier*	*Beached March 18*
2	**Alcon**	**14,157**	**Tanker**	**Arrived December 28**
3	*Asrar-A-Mostafa*	*2,205*	*General Cargo*	*Beached March 14*
4	*Carpio*	*10,019*	*Bulk Carrier*	*Beached March 15*
5	*Chennai Perrumai*	*9,223*	*Bulk Carrier*	*Beached March 16*
6	*Felici*	*10,681*	*Tanker*	*Beached March 18*
7	*Sri 1*	*33,450*	*Tanker*	*Beached March 19*
Total Tonnage		**87,903**		

GADANI - Port Position as of March 21, 2014

No.	VESSEL NAME	LDT	TYPE	STATUS
1	*Naxos Warrior*	*17,472*	*Bulk Carrier*	*Beached March 20*
Total Tonnage		**17,472**		