

Fairplay subscribers have access to listings of newbuildings, ship sales, fixtures and bunker prices on our website. Go to www.fairplay.co.uk and select the 'Markets' link in the top menu

markets

Single ship deals prevail: as buyers hold back in the S&P market ● Pure car and truck carrier (PCTC) newbuilding interest: returns to the market ● Oil contango: holds little promise for short-term tanker rates

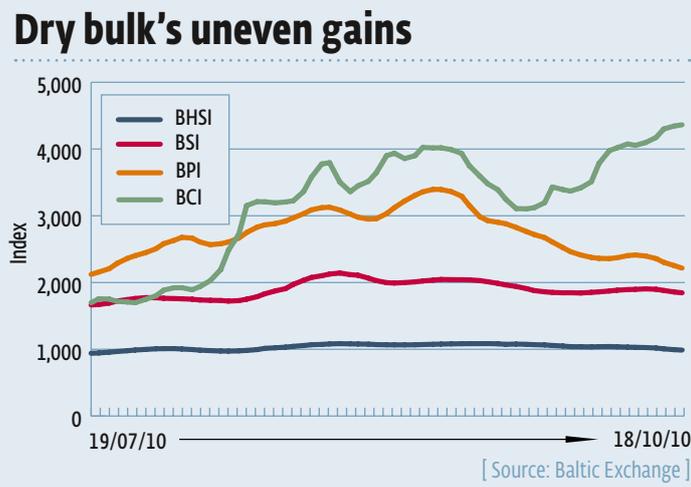
Twin-track market for dry bulk

Recent dry market gains have not been felt equally across the class sizes. **Barry Parker** reports

Dry bulk spot chartering activity continues, with rates on diverging tracks. Capesizes were active and moving upward, while Panamaxs and Supramaxes were moving sideways, albeit firming slightly and Handies/Handysizes also saw rates largely unchanged.

Most focus was on the Atlantic Capesize market where tight tonnage availability and a north-south rates split, and covering of unfixed prompt freight 'shorts' kept the pot boiling. These late cargoes, combined with early November cargoes, have kept rates firming. There were attempts at the usual tactics – Braemar Seascopes described a situation where “we saw charterers in the east delaying cargo dates.”

But by the end of last week, the Baltic Exchange average of the four Capesize timecharter rates had risen to \$45,279/day. Captured in this were healthy trips, such as Solebay Shipping's \$70,000/day fixture of the 2004-built Capesize *Glorius* (171,314dwt) with an ore cargo from Rotterdam via Narvik out to China.



Such fixtures caused brokers Fearnley to comment: “This segment keeps showing strength on the back of Chinese stock-building combined with limited tonnage availability, in the Atlantic in particular.” The Norwegian broker's observation was consistent with Chinese Customs data that indicated a big rise in September ore imports, up to 52.6M tonnes from 44.5M tonnes in August.

Yet freight traders are betting that the ore inventory cycle will continue building. Mid-October reports from China were suggesting that the trio of big miners, Vale, BHP and Rio Tinto, were in the process of lowering iron ore prices, in order to assuage steel makers' worries

about shrinking margins if a demand slowdown is looming.

For shipping people, all this guesswork and uncertainty was leading to a bullish short-term outlook, including spot ore moves from the Atlantic out to China. Continued optimism evidenced by period chartering activity was noted by Fearnleys, who said of FFAs: “Paper is supporting period activity to a certain extent, so far this week resulting in a handful of standard BCI units done for short periods in the region of \$33,500-34,500/day. Longer periods of 11-13 months have been concluded twice.”

As the ink was drying on Fearnleys' analysis, further reports showed the market ticking even

further upward. In the Capesizes, Oldendorff booked the 2010-built *Lene Selmer* (176,000dwt) for 4-6 months at \$36,500/day – exactly in line with STX Panocean's fixture of the 180,000dwt *SG Foundation* (built 2009). Both fixtures line up closely with the 4Q10 FFA, assessed at \$35,714/day (a gain of \$1,000/day, over the week). In the one-year category, Swiss Marine took the newbuilding *Great Han* for \$31,000/day, reflecting a slight premium above 1Q11 and 2Q11 FFA contracts.

Foggy visibility

In the Panamax sizes, a three-year deal at \$20,250/day, was done by Safe Bulkers on its 76,015dwt *Maria* (built 2003), fixed forward with commencement in 2Q11, when its present charter ends. The fixture (at a premium to FFA assessments for calendar 2011-2013) improves upon its current employment at \$17,750/day, booked in the sluggish market of 2Q09.

Visibility into Chinese coal inventory management is, at best, foggy, but numerous Pacific charter fixtures hinted at increased activity. Coal-related round voyages via the East Coast of Australia were done at around \$18,000/day; fixtures included 'K' Line's booking of the Panamax *Christina IV* and CSE's

charter of the 2010-built Kam-sarmax *John Wulff* at this level. Although such fixing had not moved the hire needle, Lorentzen & Stemoco were linking this pick-up in coal charters into China to the seasonal stock-piling at power plants. Reports had China's Bohai-Rim Steamcoal Price Index (BSPI), a newly launched indicator tracking prices of coal at northern ports, rising in early October.

Amid concerns about tighter commodity supplies, grain chartering from the Gulf of Mexico to China was measured. Cosco America booked a 55,000 tonne cargo at \$57/tonne.

Braemar Seascope commented: "Grain rates started to show a sizeable reduction from the Gulf of Mexico with fixing at the beginning of the week around \$60 and now charterers aiming for a \$2-3 discount from this level." They also expressed optimism about the Panamax sizes, saying: "We hope it is not unreasonable to expect that next week will show a tentative leveling out in rates after the quite steep declines in recent days." With colder days and an ice season coming, Braemar also hinted that stepped up activity in the St Lawrence, and the Baltic Sea, could also buoy the sector.

Handy/Handysize and Supramaxes have seen rates mostly moving sideways, but there are glimmers of hope from India where iron ore cargoes for northern China with rates in the mid-teens are reported, but not confirmed, from Haldia, according to Braemar. ■

Capacity cuts see box ship demand drop even further

Carriers position themselves for the newbuildings surge

~~After the end of the Golden Week holiday in China, prompt charter market container vessels are under more pressure to fix below last done as enquiry from carriers remains muted. Several operators are reported to be adjusting slot capacity downwards as peak-season traffic tapers off and freight rates soften.~~

~~Seasonal capacity reductions in the container trades are gradually taking hold, raising the prospect of growing redeliveries of charter vessels and greater rate vulnerability. Grand Alliance carriers are reducing sailings on their Asia/Europe Loop D to fortnightly and Maersk Line is suspending its Asia/West Coast South America AC3 peak loader service. In addition, a number of relet vessels have arrived in the market competing neck-and-neck with charter-free tonnage for employment, brokers have warned. With the slack season still at an early stage, relet activity is expected to build in the coming weeks and months.~~

~~Fixing opportunities for larger tonnage on the other hand have dropped off significantly, with most deals concentrated in the sectors below 2,000teu. The few big ship fixtures cropping up last~~

~~week showed rate levels drifting lower, with CMA CGM reportedly extending the 7,943teu *Bunga Seroja Satu* at around \$39,000/day for 12 months. However, there were conflicting reports about this fixture, with one German broker suggesting the rate might be as low as \$35,000/day for the first six months. Another broker pointed out that even the highest suggested figure would represent a drop vis a vis a similar vessel concluded earlier this month. Meanwhile, estimates of the number of ultra-large ships still available for 2011 had to be corrected upwards after it transpired that Hamburg owner Peter Doehle did not fix a 12,500teu quartet to MSC as widely reported a few weeks back.~~

\$8,000/day

new benchmark fixture for geared 1,100teu types in the Caribbean

~~The Panamax segment could be next in line for a correction after a number of redeliveries this month, with London broker Braemar Seascope noting that increasing availability is already "starting to translate into lower rates." CMA CGM reportedly sublet its 3,961teu *Ville D'Aquarius* to Hapag-Lloyd for a Far East/Indian~~

~~Ocean round trip at \$19,500/day, which was considered to be quite in line with market levels when adjusted for period duration. There were rumours that MISC extended a 4,500teu Panamax vessel controlled by Cosco for six months, albeit on private terms.~~

Pressure build-up

Pressure on rates appears to be most intense in the geared 2,500teu class, where well over 40 units are believed to come up for charter renewal within the next three months. Relets are also beginning to make an impact in this sector, with Hamburg Süd hiring out the *ER Calais* (2,532teu) to Maersk affiliate MCG at only \$11,000/day for 3-4 months.

Handy vessels (1,000-1,200teu) were still going against the trend, achieving firmer rate levels particularly in the Gulf of Mexico/Caribbean where *King Ocean* concluded, at a new benchmark of \$8,000/day, a fixture for the geared 1,104teu *Katrin S*, controlled by Germany's Reederei Rudolf Schepers. Higher ice-class tonnage recorded further increases as well, with CMA CGM fixing the gearless 1,425teu *Charlotta* at a higher \$9,500/day for ten months for Baltic Sea trading. With only a few ice class candidates left to fix in this size, charter rates are expected to trend up higher, brokers said. ■

**YOUR
STRONGEST LINK WITH EUROPE**

www.zeeland-seaports.com


Zeeland Seaports
Ports of Terneuzen and Vlissingen