

August 29th, 2014
Volume 144, Issue 635
Week 35



“The best time to start thinking about your retirement is before the boss does.”

- Anonymous

Highlights:

- Starting to settle?
- Dramatic moves.
- Hopeful on India.
- Pakistan – still kings.
- Bangladesh worries.

MARKET COMMENTARY

AN ANTAGONISTIC AUGUST!

The volatility of the previous few weeks finally showed some signs of settling this week as currencies and steel plate prices remained largely stable across the sub-continent markets.

This past August has been characterized by dramatic movements of local steel plate prices and the Rupee in India - and this is something that has understandably piqued the interest of competing markets in Pakistan and Bangladesh.

Whilst there has certainly been a cooling in the Indian market (and with that, a relegation in status behind a buoyant Pakistan), demand and capacity remain excellent and it is surely a matter of time before the industry sees Alang buyers get back into the swing of things.

Notwithstanding, India still struggled through as understudies once again, and many end buyers remain understandably cautious to commit on new units – hoping to see some stability on the currency and steel prices return.

The situation remained grim in Bangladesh as well this week, with buyers yet to return aggressively to the purchasing post Eid, amidst concerns of a more serious and long term malaise in the industry.

Pakistan remains the overall undisputed king of the moment, paying some incredible prices on all types of vessels, not just their favored tankers (gas free for man entry only). Despite some fluctuations on the currency (causing a brief stutter in local sentiment) and the ongoing political instability in the region, it was another impressive week in Gadani as the Pakistan market rightfully held onto its top spot for yet another week.

While the fourth quarter has traditionally been a time of upward market momentum, as more tonnage becomes available after the quieter summer period and many end buyers return to the fray after the monsoon months, keen to stock their yards before year-end, it remains to be seen just how the markets perform going ahead, given the current conditions.

For week 35 of 2014, GMS demo rankings for the week are as below:

Demo Ranking	Country	Market Sentiment	GEN CARGO Prices	TANKER Prices
1	Pakistan	Bullish	USD 460/ltd	USD 490/ltd
2	India	Volatile	USD 455/ltd	USD 485/ltd
3	Bangladesh	Weak	USD 450/ltd	USD 480/ltd
4	Turkey	Steady	USD 340/ltd	USD 350/ltd
5	China	Weak	USD 280/ltd	USD 300/ltd

Cash Buyer to be
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BANGLADESH

BLEAK WEEK!

Few aggressive buyers.

Another worrying week in Bangladesh slipped by, with very few buyers returning to the fold to acquire tonnage at anywhere near aggressive and expected levels. The continuous rains have not helped, as large parts of Bangladesh remain underwater and new building projects therefore remain at a premium.

This has seen a demand for steel fall and local ship recyclers are simply unable to shift inventory from their yards if they do buy (particularly at the rates needed to lure ships from the clutches of India or Pakistan) – hence the slower overall activity being seen.

Empty yards.

As a consequence, many of the yards remain empty and there are very real fears that some could go out of business if the current situation persists. Those bold buyers that are looking to purchase are doing so just to keep their yards operational.

Furthermore, local L/C opening banks are now being very strict now in extending their credit to buyers and it is taking much more time for cash buyers to get these letters of credit open, ensuing in frustrating delays for all concerned.

One surprising sale for the week saw the Russian controlled reefer MAJESTIC (2,936 LDT) sold for a decent USD 452/LT LDT.

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
MAJESTIC	Reefer	2,936	USD 452/LT LDT

INDIA

BIDING THEIR TIME!

It was another difficult week in India – seeing Pakistan steal the limelight once again with both private and market purchases and struggling to come anywhere near some of the prices being paid by Gadani recyclers.

Indeed, most end buyers seem content to sit back and watch market developments before committing themselves to new units. With such volatility seen in both the Indian Rupee and local steel plate prices of late, nerves are still frayed and several sales at settled levels may be needed to restore confidence once again.

There is also the belief that vessels will inevitably head back to Indian shores once those hot buyers in Pakistan stock their plots and satisfy their rampant appetite. The supply going into the fourth quarter of this year is expected to remain steady and Indian buyers will inevitably have their moment in the sun once again, especially if favored container sales for recycling pick up once again (as is currently anticipated).

Meanwhile, fundamentals do appear to have steadied though this week, with the Rupee trading into the low 60s against the US Dollar, and the dramatic swings seen on the steel prices that only recently have leveled out. It will be interesting to see how Indian buyers respond going into September, as demand and capacity remain good, so it is surely a matter of time before prices become competitive once again.

Unable to compete with Pakistan.

Laying low!

Fundamentals steadied!

NO MARKET SALES REPORTED

PAKISTAN

TOP DOGS!

Larger LDT units also circulated.

Another week as top market performers saw Gadani buyers pick up one or two more interesting sales.

As well as talk in the market of a VLOC and suezmax tanker having being sold at very firm rates (with intention of a Pakistan delivery) over USD 500/LT LDT, there was at least one other market sale that could be reported.

Surprising sales!

The smaller general cargo / tween vessel SOLEIL (2,382 LDT) sold for USD 453/LT LDT – this move being surprising due to the fact that it is usually India picking up such units due to the Pakistan aversion to smaller LDT units!

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
SOLEIL	General Cargo	2,382	USD 453/LT LDT

CHINA

STEEL PRICES STALL!

Desperately low steel prices saw quotes for scrap ships sink even further in China, in what remained another hopeless week. Prices are firmly entrenched in the mid-to-high USD 200s/LT LDT as the price differential for vessels widens to USD 200/LT LDT with the sub-continent markets.

Logically, as long as the state supply of tonnage eligible for the government subsidies continues, these low prices will not be of any worry to Chinese recyclers.

However, a complete absence of international tonnage heading to Chinese yards is a worry to the recycling industry at large, in what has been an extremely bleak year so far for the Chinese market.

USD 200/LT LDT gap!

NO MARKET SALES REPORTED

TURKEY

STATE OF AFFAIRS

*Tonnage scarcity
continues to haunt.*

Yet another week goes by with less than a handful of Vessels arriving at the shores of Aliaga, leaving demand un-quenched. To add to the dithered state of affairs, steel prices weakened this week by about USD 8/Ton overall.

The only silver-lining to the dark cloud was the Turkish Lira that ended the week on a marginally stronger note at TRY 2.16 against the US Dollar (compared to 2.18 where it stood at the week's opening).

The current price gap between the Indian sub-continent markets and Turkey justifies only smaller vessels (of about 5,000 LDT and less) that are opening up in the Med to be potential Turkish candidates - and that is only if no positioning cargos are found to bring prospective vessels across the Suez Canal.

As it has been the case since pre-Ramadan, Turkish end-buyers will need to remain patient for some time longer.

NO MARKET SALES REPORTED

INTERESTING FACTS

- ✚ *Brain damage occurs at an internal temperature of 105 degrees Fahrenheit.*
- ✚ *Brazil accounts for almost 1/3 of the world's coffee production, producing over 3-1/3 billion pounds of coffee each year.*
- ✚ *Brazil got its name from the nut, not the other way round.*
- ✚ *Britain's first escalator was installed in Harrods in 1878.*
- ✚ *Brown eggs come from hens with red feathers and red ear lobes; white eggs come from hens with white feathers and white ear lobes.*
- ✚ *Bruce Lee was the Hong Kong 'cha cha' dance champion in 1958 He was also an American born in San Francisco and had a German grandfather.*
- ✚ *Buckingham Palace has 602 rooms.*
- ✚ *Bulletproof vests, fire escapes, windshield wipers and laser printers were all invented by women.*
- ✚ *Bulls are colorblind; it is the motion of the cape which angers them.*
- ✚ *Bumping foreheads with a hands shake is the traditional greeting in Tibet.*

IMPORTANT DATES

INDIA	
BANK HOLIDAYS	BEACHING TIDES
No holidays in September	September 06 – September 15 September 23 – September 30

BANGLADESH	
BANK HOLIDAYS	BEACHING TIDES
No holidays in September	September 08 – September 11 September 23 – September 26

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ALANG - Port Position as August 29, 2014

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Aquaholic	2,863	Bulk Carrier	Arrived August 26
2	Fisher D	6,158	Bulk Carrier	Arrived July 07
3	Justus	6,760	Container	Beached August 26
5	Providence (Dead Vessel)	4,418	Tanker	Arrived August 26
6	Summer Wind	9,259	Reefer	Arrived August 27
7	Valdiv	16,350	Oil Tanker	Arrived August 26
Total Tonnage		45,808		

CHITTAGONG - Port Position as of August 29, 2014

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Ace (Dead Vessel)	2,579	General Cargo	Beached August 28
2	Brave Royal	6,805	Bulk Carrier	Arrived August 27
3	Enarxis	7,142	Bulk Carrier	Beached August 29
4	Fesco Uelen	3,264	RoRo	Beached August 25
5	Gulkul 1	5,300	General Cargo	Beached August 29
6	Matilda	2,003	General Cargo	Beached August 24
7	Pearl	12,253	General Cargo	Beached August 28
8	Sevenkar	8,206	Bulk Carrier	Beached August 26
9	Shahriar Jahan	7,453	Bulk Carrier	Arrived August 27
10	Spirit (Dead Vessel)	5,422	General Cargo	Beached August 27
Total Tonnage		60,427		

GADANI - Port Position as of August 29, 2014

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Bramco 2	12,587	Bulk Carrier	Beached August 29
2	Kaghan	10,472	Bulk Carrier	Beached August 26
3	Kai Tong	10,382	Bulk Carrier	Beached August 24
4	Victoria II	10,851	Tanker	Beached August 28
Total Tonnage		44,292		

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