

July 21st, 2017
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Week 29



"The "start" is what stops most people."

- Don Shula

Highlights:

- Moderate on sales.
- Pak – Bangla compete.
- Bangladesh for tankers.
- \$400 on the charts?
- Demand may cool.

MARKET COMMENTARY

FUELING THE FIRE!

Following the glut of tanker deals (including two NITC VLCCs) last week, this week proved to be a far more moderate affair (in terms of sales) despite local prices improving even further.

At present, it seems to be a shoot out between Pakistan and Bangladesh for the top spot in the market rankings and whilst most dry vessels (surprisingly, even the ones positioned in the Far East) are reportedly heading towards Pakistani shores, the Bangladeshi market remains distracted, taking in most of the wet units on offer of late.

News of several aframax tankers in various cash buyer hands being onward committed to Chittagong end users (even those located in the Middle East and far better poised for an India delivery) surfaced this week, continuing the rally seen in Bangladesh since the budget was reversed a couple of weeks back.

It may well be that the supply of tonnage starts to slow as the traditional holiday month of August approaches and many owners / brokers / key industry players head off on vacation, which may also be another reason for some of the stronger levels being witnessed of late.

Many have commented that they expect the supply of tonnage to pick up going into the fourth quarter of the year and it will be interesting to see if prices do in fact, hit the 400/LDT mark by then, as levels have once again commenced on an upward trajectory.

Of course, if some of the hotter buyers continue to book their share of tonnage (as they have over the last few weeks), we may expect some of the aggressive appetite and therefore pricing to come off a shade, especially if there is a deluge of fresh units hitting the market by the time September comes around.

For week 29 of 2017, GMS demo rankings / pricing for the week are as below:

Demo Ranking	Country	Market Sentiment	GEN CARGO / BULKER Prices	CONTAINER / TANKER Prices
1	Bangladesh	Improving	USD 350/LT	USD 380/LT
2	Pakistan	Improving	USD 345/LT	USD 375/LT
3	India	Improving	USD 340/LT	USD 370/LT
4	Turkey	Improving	USD 250/MT	USD 260/MT
5	China	Improving	USD 245/LT	USD 255/LT

Cash Buyer to be
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BANGLADESH

PRICE PUSH!

Fewer sales.

After a heavy last few weeks of suezmax and aframax tanker sales, this week was somewhat more muted with just the solitary small LDT container market sale to report, in addition to cash buyers offloading some of their previously acquired high-priced inventory.

Indonesian owners Meratus Lines continued their clear out of older tonnage as the MERATUS BALIKPAPAN 1 (3,012 LDT) was sold for an impressive USD 352/LT LDT - in the second sale from the group this year.

Recent rally.

Following the announcement of the withdrawal of the 15% VAT (that was previously announced in Bangladesh's annual budget), sentiment and pricing have come storming back.

Additionally, incessant rains over this year's monsoon season has resulted in little activity / supply of ship's steel to the domestic steel mills, which has kept steel prices and demand for local product (artificially) high.

While the combination of events has certainly been financially beneficial for ship owners (and those Cash Buyers with expensive inventory on hand), a word of caution that this situation will likely be a short-term one and any gains from the ongoing splurge will probably only last as long as the rains.

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
MERATUS BALIKPAPAN 1	Container	3,012	USD 352/LT LDT

INDIA

NOT FAR BEHIND!

The big news last week concerned the sales of several geographically positioned tanker units and most notably, the two NITC VLCCs AURA (39,731 LDT) and BRIGHT (38,995 LDT), at a comparatively modest USD 330/LT LDT basis an 'as is' Khor Fakkan delivery.

It is likely that the two VLCCs will end up in India due to the transactional hurdles that may arise in successfully concluding the deal into any other location (i.e. Bangladesh / Pakistan).

Whilst Indian buyers are able to conclude specialist deals (like the ones above) and lower LDT / complicated vessels that Pakistani and Bangladeshi buyers tend to steer away from, the reality is that they (Alang Recyclers) are presently being outgunned by their sub-continent competitors on most of the market tonnage.

Notwithstanding, local fundamentals remain strong and have kept local sentiments on even keel. The Indian Rupee too spent yet another encouraging week trading in the low Rs. 64s against the U.S. Dollar whilst local steel plate prices have gone up by almost USD 15/LDT over the span of the last few weeks.

Should the trend continue, it might not be too long before Alang becomes a viable competitor at the international stage once again!

VLs for India?

Fundamentals firm.

PAKISTAN

PRICES PROPELLED!

Missing wet / taking dry.

Despite missing all of the larger LDT wet units in the market (due to the ongoing restrictions for the entry of tankers into Pakistan), Gadani buyers have been bidding aggressively for any available dry units being proposed to them (mostly those in Cash Buyer hands that were held since the market tumbled a few months ago).

As a result, we have seen prices improve in Pakistan over this last week in particular and several interesting sales were reportedly concluded to local buyers (including one capesize bulker).

Towards 400/LDT.

This would certainly have been a surprise given that the domestic ship-recycling sector was hit with a USD 10/LDT penalty via new taxes that were introduced in the 2017 Pakistani budget announced at the end of May.

However, as local steel plate prices firmed post-budget and demand subsequently propelled further, prices from Gadani have climbed over the recent weeks, inching tantalizing closer to the USD 400/LDT mark once again.

NO MARKET SALES REPORTED

CHINA

STEP TOO FAR!

Chinese buyers could do little more than sit back and admire the aggression of their Indian sub-continent counterparts, where levels pushed on for yet another week – up by almost USD 20/LDT since the start of the month alone!

The current local sentiments in China could not be more different from the gloom felt across the sub-continent following the announcements of the Pakistani and Bangladeshi budgets – particularly in Bangladesh where 15% duties (estimated to be between USD 40 – USD 50/LDT) were imposed while Pakistan suffered a comparatively moderate price reduction equivalent to about USD 10/Ton.

However, ever since Bangladesh's decision to reverse the VAT, prices have quickly escalated away from Chinese levels and it would appear to be increasingly likely that Chinese recyclers would see even geographically positioned smaller LDT tonnage heading to the sub-continent shores over these summer months.

Sub cont progress.

Unlikely to acquire.

TURKEY

THE ONGOING SURGE!

Plate prices climb 10

Turkey's local steel plate prices seem to have headed off into space as levels reportedly climbed another \$10/MT this week. Given that local recyclers have constantly feared an imminent decline in prices (they see local steel plate prices firming too quick for comfort), a corresponding increase in offers for vessels was not forthcoming this week.

Moreover, as the Turkish Lira too has volleyed in the low-to-mid TRY 3.5X throughout the week, prices for ships remained steady (and firm).

One market fixture.

One market sale of the week saw the Canadian-owned 6800 LDT bulker / laker PINEGLEN committed to Turkish buyers at a lumpsum USD 615,000 basis an "as is" Port Montreal delivery undertow – a rather strong number reflective of the ongoing price increases from Turkey.

Like the Bangladeshi market, the improvements from Turkey seem to reflect a short-term sprint and it is only a matter of time before levels here start rolling back again (likely sooner rather than late).

For now, ship owners can certainly exploit the firm levels for prompt deliveries.

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
PINEGLEN	Bulker / Laker	6,800	USD 615,000 Lumpsum (undertow - "as is" Port Montreal)

FUN FACTS!!

- *In 2011, Chinese surgeons were able to remove the rusty, 4 inch end of a broken blade from the skull of a man who claimed it had been stuck in there for four years! The man had been stabbed in the lower-jaw by a thief four years previously and the blade had snapped off, getting stuck in his head.*
- *When people are struck by lightning the mark that appears on their afflicted area afterwards looks like an intricately detailed silhouette of a fern tree and is known as “lightening tree” or sometimes “lightening flower”. This occurs due to delicate capillaries rupturing beneath the skin from the shock of the electrical discharge.*
- *In Bordeaux, France, 1940, Portuguese diplomat Aristides de Sousa Mendes issued an estimated 30,000 Portuguese travel visas to Jewish families in order to flee persecution from the Nazis. Once his superiors had learned of his actions, he was ordered back to Portugal, dismissed from office and denied his pension benefits. Sousa Mendes went on to die in 1954, impoverished and unsung.*
- *On 23rd May 2012, the American nuclear submarine USS Miami was damaged beyond repair by a fire whilst it was docked up in a Naval Shipyard. Although the start of this fire was unclear at first, civilian employee Casey J. Fury later admitted to starting the fire in order to “get out of work early” For this, he was sentenced to 17 years in a federal prison ordered to pay \$400 million in recompense.*

IMPORTANT DATES

INDIA	
BANK HOLIDAYS	BEACHING TIDES
<p>No Holidays in July August 15 – Independence Day August 25 – Ganesh Chaturthi</p>	<p>July 19 – July 28 August 05 – August 13 August 18 – August 26</p>

BANGLADESH	
BANK HOLIDAYS	BEACHING TIDES
<p>August 14 – Krishna Janmashtami August 15 – National Mourning Day</p>	<p>July 24 – July 27 August 09 – August 12 August 21 – August 24</p>

IMPORTANT BANK HOLIDAYS		
TURKEY	PAKISTAN	CHINA
August 30 – Victory Day	August 14 – Independence Day	No holidays in August

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ALANG - Port Position as of July 21, 2017

No.	VESSEL NAME	LDT	TYPE	STATUS
1	BSLE Vivy	4,200	General Cargo	Arrived July 15
2	Catherine	23,507	Oil Tanker	Arrived July 19
3	Coral Sea Fos	1,305	Supply Vessel	Beached July 19
4	Infinity	7,878	Bulk Carrier	Sold in auction / Wrecked
5	Irisiana	1,774	Chemical Tanker	Beached July 19
6	Lea	5,281	Container	Beached July 20
7	Mercury M	2,285	General Cargo	Arrived July 19
8	Miraflores	9,398	Woodchip Carrier	Arrived July 15
9	Ore Sossego	44,969	Ore Carrier	Arrived July 16
Total Tonnage		100,597		

CHITTAGONG - Port Position as of July 21, 2017

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Crystal Orca	5,832	Drill Ship	Beached July 16
2	Elana	16,899	Tanker	Arrived July 17
3	Wan Li	5,496	Bulk Carrier	Arrived July 15
Total Tonnage		28,227		

GADANI - Port Position as of July 21, 2017

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Al Endeavour	22,421	Container	Arrived July 21
2	Al Endurance 1	22,425	Container	Arrived July 20
3	Dan	9,321	Bulk Carrier	Arrived July 21
4	Tabarnacle Grace	5,582	Bulk Carrier	Beached July 19
Total Tonnage		59,749		

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No.	Country	Demo Ranking		GENERAL CARGO / DRY BULK		% Change
		2016	2017	2016 Prices	2017 Prices	
1	Bangladesh	1	1	255	350	37.25%
2	Pakistan	3	2	245	345	40.82%
3	India	2	3	250	340	36.00%
4	Turkey	5	4	165	250	51.52%
5	China	4	5	170	245	44.12%

No.	Country	Demo Ranking		CONTAINERS / TANKERS		% Change
		2016	2017	2016 Prices	2017 Prices	
1	Bangladesh	1	1	285	380	33.33%
2	Pakistan	2	2	275	375	36.36%
3	India	3	3	280	370	32.14%
4	Turkey	5	4	170	260	52.94%
5	China	4	5	180	255	41.67%



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