

October 23rd 2015
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Week 43



“How does somebody know what they want when they haven’t seen it yet.”

- Steve Jobs

Highlights:

- Nerves remain.
- India hit hard.
- Ship-recycling recession?
- Bangladesh focus.
- Pakistan demand.

MARKET COMMENTARY

TENTATIVELY PLACED!

Nerves remained across all sub-continent markets as cheap Chinese billets continue to pour in and undercut local steel plate prices & inventories on end-buyers yards.

Of all the markets, India seems to have been hit the hardest with only 20 - 25 yards presently operational, following the forced closure of a significant number of yards in Alang as the ship-recycling industry is once again becoming an unviable and unprofitable business, after several years of rising values.

The Indian currency too has depreciated incredibly over the past few years and coupled with this most recent plunge in commodity prices and the seemingly endless supply of billets, it is little surprise to see many in the industry terming this as a full-fledged recession.

Banks across the sub-continent continue to be increasingly reluctant to sanction new LCs due to the severe losses witnessed over the course of the year, which in turn has made many end users even more reluctant to enter the fray whilst fundamentals remain so precariously poised. Moreover, this is all adding up to a thoroughly shaken and confused state of the ship-recycling industry at present.

A number of sales have however been recorded into Bangladesh, including several capesize bulkers at decent rates in the last few weeks, taking the total cape sales into the 80s for the year (with 100 likely to be reached before the end of the year).

Demand in Pakistan appears to be picking up after missing out on one or two high-profile and high LDT sales into Bangladesh of late. So it would be no surprise to see one or two of the market vessels end up on Gadani shores in the weeks ahead.

For week 43 of 2015, GMS demo rankings for the week are as below:

Demo Ranking	Country	Market Sentiment	GEN CARGO Prices	TANKER Prices
1	Bangladesh	Weak	USD 300/ltr ldt	USD 330/ltr ldt
2	Pakistan	Weak	USD 295/ltr ldt	USD 325/ltr ldt
3	India	Weak	USD 290/ltr ldt	USD 320/ltr ldt
4	Turkey	Weak	USD 165/ltr ldt	USD 170/ltr ldt
5	China	Weak	USD 125/ltr ldt	USD 145/ltr ldt

Cash Buyer to be
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BANGLADESH

DEMAND SUBSIDES!

Capes concluded.

Having concluded a number of capesize bulkers recently (perhaps all of the capes in the market of late), it would be no surprise to see the Bangladeshi market start to cool off a touch, as a majority of the hot buyers are now booked with tonnage.

LC concerns.

The next tier of buyers are less aggressive and seem to be lowering their levels to try and fall in line with the much lower offers emanating from the Indian market. Consequently, it would be no surprise to see upcoming cape sales diverted to Pakistan.

Letters of credit remain a concern locally with few banks willing to sanction large limit LCs. This has narrowed down the market to a select few buyers and owners must be wary of which cash buying counterparty they choose to go with for this very reason.

NO MARKET SALES REPORTED

INDIA

INTO THE ABYSS!

It has quite frankly been a dire year for the Indian market with constant declines seen in steel prices and a significant depreciation in the value of the Indian Rupee (against the U.S. Dollar).

Dire year.

As such, the number of open buyers has decreased rapidly and it is becoming increasingly frustrating for owners and cash buyers alike, to deal in such a narrow market place – especially when certain end buyers try to cap prices with the recent formation of a buying committee / cartel.

The Indian Rupee spent much of the week trading in the high Rs. 64s to low Rs. 65s against the U.S. Dollar, but it has been the constant bleeding in local steel plate prices and a seemingly never-ending supply of cheap Chinese billets that remains the primary concern for Alang end-buyers.

Duties needed.

The government needs to do more to impose strict duties on the import of billets as it has already put many end buyers out of business and continues to plague the few that remain open and capable to take fresh tonnage, by constantly undercutting the inventories stockpiled on their yards.

Container sold.

The one sale for the week saw the panamax container vessel VILLE D AQUARIUS (15,904 LDT) committed for a rather firm USD 337/LT LDT for guaranteed green recycling.

MARKET SALES REPORTED

VESSEL NAME	TYPE	LDT	REPORTED PRICE
VILLE D AQUARIUS	Container	15,904	USD 337/LT LDT

PAKISTAN

NOT ENOUGH!

Demand picking up.

Following a series of missed sales, demand appears to be picking up in Gadani once again. Capacity is certainly good as end users have been largely absent from the buying, since their pre-budget buying binge back in May.

Pakistan buyers have also been affected by the import of cheap billets from China and there are a few buyers who fear that further falls may be imminent. As a result, these buyers are only willing to position their numbers at (or below) Indian levels, if they consider offering at all.

Mixed market.

It is therefore something of a mixed market at present, with capacity and demand good, but pricing not quite there at the levels needed to divert tonnage away from Bangladesh.

CHINA

LITTLE HOPE!

Chinese levels remain stranded in the low-to-mid USD 100s/LDT with little international tonnage likely to head to local yards, even for those vessels positioned in the area.

Despite rumors to the contrary, the Chinese subsidies remain in place and will continue to offer state owners a premium of approximately USD 150/GRT on Chinese flagged vessels heading for scrap and a similar discount for a corresponding newbuilding.

As such, it remains no surprise to see zero sales concluded into the Chinese recycling market from international owners – as is set to be the case for the remainder of the year.

Low 100s/LDT.

No sales.

TURKEY

BRIEF OPTIMISM

Scarcity boosts levels.

It certainly appears that the constant depreciation in levels offered by the Turkish buyers has resulted in a lack of market fixtures, since owners are unwilling to face a market that remains stranded substantially below USD 200/MT levels.

Owing to the ongoing dearth of incoming vessels, local steel plate prices remained stable during the course of the week, which subsequently resulted in a few buyers becoming optimistic and taking speculative positions at about USD 5/MT above the levels prevailing from the week earlier.

Unfortunately and expectedly, even with the marginal price-bump, very few owners seem willing to negotiate firm. Instead, with the offshore industry facing difficulties of its own, the most active tonnage (in terms of supply) are rigs and other offshore units.

It remains to be seen if the ongoing lack of supply will eventually boost steel prices and in turn, offers for vessels emanating from Aliaga.

NO MARKET SALES REPORTED

THE HUMAN BODY...

- *By the age of 60, most people will have lost about half their taste buds.*
- *By 60 years of age, 60-percent of men and 40-percent of women will snore.*
- *Your eyes are always the same size from birth but your nose and ears never stop growing.*
- *A baby's head is one-quarter of it's total length, but by age 25 will only be one-eighth of its total length.*
- *Monday is the day of the week when the risk of heart attack is greatest.*
- *Humans can make do longer without food than sleep.*
- *A simple, moderately severe sunburn damages the blood vessels extensively.*
- *Over 90% of diseases are caused or complicated by stress.*
- *A human head remains conscious for about 15 to 20 seconds after it is been decapitated.*
- *It takes 17 muscles to smile and 43 to frown.*
- *We are about 1 cm taller in the morning than in the evening.*

IMPORTANT DATES

INDIA	
BANK HOLIDAYS	BEACHING TIDES
October 22 – Vijaya Dashami October 24 – Muharram November 11 – Diwali November 25 – Guru Nanak Jayanti	October 26 – November 02 November 10 – November 17 November 23 – December 01

BANGLADESH	
BANK HOLIDAYS	BEACHING TIDES
October 23 – Vijaya Dashami October 24 – Muharram November 09 – Birthday of Muhamma Iqbal	October 27 – October 29 November 11 – November 13 November 25 – November 27

IMPORTANT BANK HOLIDAYS		
TURKEY	PAKISTAN	CHINA
October 28 –29 – Republic Day	November 09 – B'day of Muhammad Iqbal	No more holidays until 2016

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ALANG - Port Position as October 23, 2015

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Celebration	16,034	RoPax	Arrived October 14
2	Infinity	7,878	Bulk Carrier	Arrived October 04
3	Reis G	8,287	Bulk Carrier	Beached October 17
4	Satria	3,280	Container	Beached October 21
5	Tsunomine	19,701	Bulk Carrier	Arrived October 09
Total Tonnage		55,180		

CHITTAGONG - Port Position as of October 23, 2015

No.	VESSEL NAME	LDT	TYPE	STATUS
1	Banglar Moni	6,090	General Cargo	Arrived July 17
2	Hanjin Haypoint	18,908	Bulk Carrier	Arrived September 26
Total Tonnage		24,998		

GADANI - Port Position as of October 23, 2015

No.	VESSEL NAME	LDT	TYPE	STATUS
1	AT 30	6,574	Bulk Carrier	Beached October 22
2	Revana 1	938	Tanker	Beached October 20
3	Wei Fong	12,214	Bulk Carrier	Arrived October 07
Total Tonnage		19,726		

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