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Drybulk shipping: When the market goes up, we will be ready!



Photo: Chris Prevolos



By [Barry Parker](#) from New York

At the NYMAR post conference breakfast at the conclusion of the recent Marine Money Week in New York, the conference organisers revealed that, in the weeks prior to the event, as vessel hires and indices rivaled long-term low levels, there was some talk of cancelling the drybulk session altogether.

But drybulk remained on the agenda; with Jefferies & Co.'s highly regarded equities analyst Doug Mavrinc moderated an excellent group of presentations on the final morning. The long-time analyst, began the session by asking "whether the difficult market that we find ourselves in may not represent attractive opportunities?"

In discussing his conversations with investors, Mavrinc revealed, "a lot of the questions that I get are about drybulk....the concept is about asymmetric risk- meaning that all the risk is to the upside at this point." Hans Naess Olstad, from Klaveness, explained that upon buying a vessel, in a poor market, "you are back to old fashioned shipping" where attention to detail and a discipline of risk management is critical to weathering the storms.

Speaking to the investors in the audience, who would presumably be partnering with an asset manager such as Klaveness, Olstad said, "make sure that you have the flexibility to exit when you want, and take a profit when the market spikes".

Panelist Greg McNellis, President and ceo of TBS Ocean Logistics, speaking next, told the crowd: "The best way to survive and position yourself to thrive in this environment, which might not pick up for a while, is to have a strong balance sheet with little or no leverage, if possible." He added that, where an owner does have debt, it is best to be pro-active with your

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or seeking their customers top quality ship, and the work on to become the importance of "control" - the structure, transparency and the quality of the management- and its ability to operate vessels as economically as possible, with low breakeven points, so "we can start making money before others".

In the Q & A period following the prepared remarks, McNellis offered a similar take, responding to one question by saying: "The best way...is to be extremely diligent up front, and have your lowest cost per diem."

The drybulk panelists did not try to forecast the market, but each one, in their own way, portrayed their outfit as a platform that was positioning for the inevitable move upward.

However, there were some forecasts- several hours later. Every year, the conference concludes with the Homage to the Leading Shipping Analysts, moderated by the redoubtable Robert Bugbee, of Scorpio Tankers and Scorpio Bulkers. The panel of eight analysts, asked to look ahead to next year (first half of 2016), estimated, variously, that the market for capesize bulk carriers. Answers ranged a low of \$6,000/day - guest panelist Erik Nicolai Stavseth, from Arctic Securities, up to \$22,000/day - Omar Nokta, Clarkson Platou.

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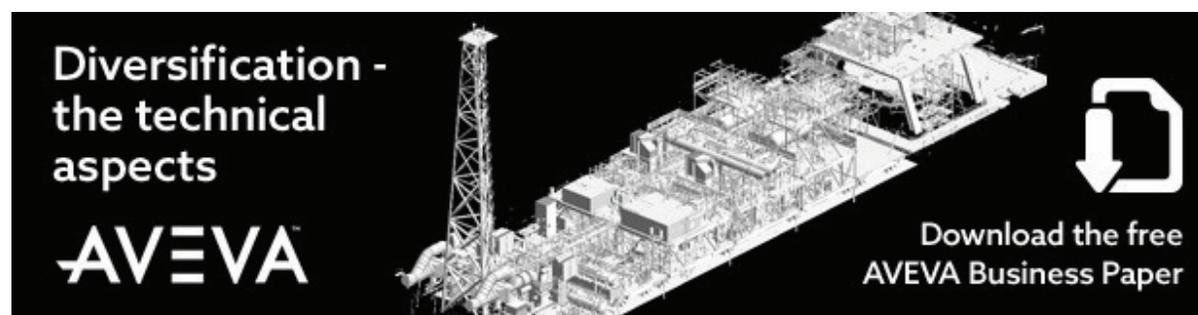
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