



Analysts attributed increased activity to opportunistic buying of iron ore, as prices in China had decreased [Photo: Southern Cross Maritime]

## Dry bulk fuelled by Capesize surge

Better rates have benefitted the Capesize sector as iron ore buying from China has increased

Optimism moved back to the dry bulk markets even as shipping people were away from their desks with the Far Eastern holidays. Analysts attributed increased activity to opportunistic buying of iron ore, as prices in China had decreased.

Dahlman Rose analyst Omar Nokta told clients that “steel producers have increased their seaborne iron ore demand on the back of cheaper benchmarks for the quarter.” Throughout 2010,

this stop-start pattern has been a hallmark of the Capesize market, sometimes with ripple effects down into the other sizes.

This time the market is bifurcated, as larger vessels continue to grab most of the attention. The Baltic Exchange average of four Capesize timecharters has now rebounded up above \$40,000/day, after a late September dip below \$30,000/day. Braemar Seascope brokers describing the all-important Brazil-China trades said: “despite some charterers trying to talk down the November market, owners were reluctant to agree and we have since seen reports of over \$29/tonne being concluded.”

Several weeks ago, ore from Brazil had dipped to \$25/tonne, and the London broker pointed to

a firm fixture by Vale at \$27.50/tonne on the run. In the Pacific, the brokers worked out a voyage equivalent of \$12.25/tonne on the West Australia to China ore run, based on a roundtrip timecharter fixed at \$37,500/day. The Atlantic has not been without its moments; market rumours had a newbuilding Capesize (from the Odense yard) booked on a trans-Atlantic round (via Brazil) at \$50,000/day.

The Panamax and Supramaxes had been following the pattern dictated by the Capes, with the mid-September high followed by a sharp dip.

Unlike their larger brethren, the rebounds have been only marginal, however. The Baltic Exchange’s Panamax timecharter average was still lingering under \$20,000/day, after falling from a nearby high of \$27,000/day in mid-September. Supramaxes have staked out levels on the charts, also near \$20,000/day (proxied by the Baltic Exchange average of TC routes), down from around \$22,000/day several weeks earlier.

### A positive sign

One disappointment has been the failure of grain movements to buoy these two sectors. According to Braemar Seascope, the Atlantic has “lacked impetus and rates have generally been on the slide.” Shipbrokers at its dry cargo desk said grain cargoes were emerging but “there is plenty of ballasting tonnage to absorb it.”

Even though early October’s mini-spike upward has not been uniform across the sizes, it has generated period activity, which is viewed as a positive sign.

Lorentzen & Stemoco (L&S) commented: “period activity was lively with charterers taking ships for short-term and longer periods. Some of the timecharter activity has been driven by the upsurge in the FFA market encouraging the chartering of tonnage for up to six months.” Quarterly FFAs out into 2011 have picked up in early October, with the 1Q11 Capesize TC contract being assessed at \$29,000/day, up from \$26,000/day at the end of September.

The Norwegian broker’s optimism notwithstanding, the tenor of Capesize period fixtures has been relatively short term, with only a few fixtures extending out beyond the six months’ term cited by L&S.

One of these charters saw Vitol, increasingly active as a freight trader, take the 170,500dwt *Navios Antares* (built 2010) for one year at a very healthy \$31,000/day. Classic Maritime took the 2010-built *Dong-A-Leto*, (179,000dwt) on a four to six-month charter, with China delivery, at \$35,500/day, reflecting the downward sloping forward curve.

Swiss Marine reportedly took a 2001 built Capesize (also for four to six months) at \$32,250/day. Charter hires are likely to rise further before cresting. Market rumblings had Cargill booking a 2010-built Capesize, with Atlantic delivery (at \$40,000/day) for four to six months.

If such confidence-bolstering levels are indeed accurate, timecharter operators might well be enticed to bite on the longer duration charters in the coming weeks. **E**



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