

S&P market stalls ahead of new year

Delays and suspensions take their toll on sales and purchases

The arrival of the Lunar New Year holidays is certain to have a further dampening effect on sale and purchase activity as many negotiations and deadlines for offers are suspended or delayed.

Despite the prospect of lower bulk prices to come, fewer sellers are prepared to face the market. However, some characteristically stoical Japanese owners are proving to be the main exception. For these sellers, the timing of the break,

albeit predictable, must be a huge source of frustration, because the steady decline in the Baltic Dry Index – down another 17% last week – arguably means bulk carrier valuations are still failing to reflect the reality of the freight market.

Capesize values continue to soften – no surprise given the dismal rates currently available on the spot market. The latest sale has been of the BHP-Billiton-controlled *Saraji Trader* (built 1997 Daewoo, 169,963dwt) at \$24M to Cyprus Maritime, a level that is actually lower than recent sales of Panamaxes of the same age. The databases offer few recent recorded



BHP-Billiton's 14-year-old Capesize *Saraji Trader* has gone to Cyprus for \$24M, almost half the level agreed a year ago as Norden sold its then-10-year-old Cape *Nord-Kraft*

[Photo: Southern Cross Maritime]

sales of similar Capes. However, it is worth noting that about a year ago Norden managed to achieve \$42.5M for its *Nord-Kraft* (built 2000 Koyo, 171,199dwt).

Indonesian buyers continue to take advantage of limited competition for modern bulkers, with JSK this week reported to have agreed to pay \$33M for Atlantic Bulk Carriers' Panamax *Pacific Eagle* (built 2004 Daewoo, 73,592dwt).

Progress in the sales of several Japanese-controlled Supramaxes has been at glacial pace since the turn of the year, with buyers playing for time in a weakening market. This week, however, a deal

Asia dominates chem tanker activity

Chembulk president sees a bright future for the chemical trades

Record snowfalls in the northeast US did not prevent a record crowd from attending an address by Jack Noonan, president of Chembulk Tankers (part of PT Berlian Laju Tanker in Jakarta), at a luncheon sponsored by the Connecticut Maritime Association.

The innocuous title of Noonan's speech, 'Chemical tankers in our everyday lives', belied the seriousness of his message: that we may be in an upward phase of a super-cycle that will greatly benefit industrial shipping, including vessels taking multiple parcels of chemicals.

At the same time as demand grows, owners have been cleverly rationalising their fleets through alliances such as Nordic and Womar.

Discussing Chembulk's own strategy for coping with an oversupply that developed slowly (and visibly) over time, the executive talked about the company's high vessel utilisation, with a minimum number of days waiting at anchor for cargoes.

87.8M

tonnes of chemicals moved by sea in 2008

105.2M

tonnes of chemicals expected to be moved by sea in 2012

He described the company's strategy as: "We want long cargoes; we got contracts." Commitments include the better-

known chemicals MTBE, benzene and styrene, but also vegetable oils, where tightened IMO rules have reduced the available supply of vessels.

A new benchmark

The trades are shifting, with Asia increasingly dominant. In Noonan's opinion, increases in demand – driven especially by developing countries – will overcome the negative impacts of a growing fleet and of shorter hauls.

Among statistics presented, he showed 2008 demand of 87.8M tonnes of chemicals moving by sea spiking upward to 105.2M expected to move in 2012.

Drilling down into the numbers, a significant contributor is the Middle East-Asia trade, which Noonan described as effectively superseding voyages from the Gulf of Mexico as "the new benchmark" for monitoring

the vibrancy of the worldwide chemical trades.

Noonan's observations have a high degree of credibility because they've been made first-hand in the trenches of both the brokerage and owner sides of the business – having spent time with Stolt and Clipper Tankers prior to joining Chembulk four years ago.

Citing the findings of a study by the American Chemistry Council (ACC), he said: "The chemical business recovered in 2010 and shifted to an expansion mode in 2011... On the demand side, it's huge." In 2011, according to the ACC's analysis, China will overtake the US in chemical production and consumption.

At luncheons of this type, questions about the role of Chinese shipbuilding and the impact of greenfield yards are standard fare. Noonan, whose fleet of 19,000-32,000 tonnes is Japanese-built, said: "Compared with the Japanese stainless ships and the Korean ships, the quality is just not there." **F**