The shipping market will rise, unless it falls….

By [Barry Parker]() from New York

Brokers, shipowners and even a few lawyers dissected important trends at Capital Link's recent "Global Commodities, Energy and Freight" event, now in its sixth year. Though always well attended and excellent for networking, the wide panoply of expert market views offered little in the way of precise guidance on market directions.

The best overview of the various sectors came from a panel of equity analysts at the day's conclusion- moderated by Norton Rose Fulbright lawyer Brian Devine. Following on a somewhat upbeat earlier tankers panel, shares analyst Fotis Giannakoulis, from Morgan Stanley expressed a very cautious view on the product tanker markets, saying "it will depend on product shipments in the Atlantic". In contrast, he noted his firm's increasing price targets on Golar LNG, and opined that the company's "new FLNG technology could be groundbreaking."

Evercore's Jon Chappell, also very bullish on gas transporters, noted that the market for LNG spot fixtures was "a near term wreck…for the next 12 – 24 months," but pointed to strength later in the decade as liquefaction projects came on stream to soak up the present vessel supply bubble. Chappell highlighted Tsakos Energy Navigation as his top pick, citing shrinking vessel supply in the suezmax and sframax sectors. Mike Webber, at Wells Fargo, reminded the audience that owners' successes, or not, in delivering earnings to share buyers depends on their market entry point, ie whether they acquired tonnage at attractive points in the market cycle.

Surprisingly, views on the container sector dominated the conversation. Credit Suisse's Greg Lewis cited recent fixtures at substandard rates by one large owner of ships chartered to liner operators, and said, "there's a reason why sentiment is bad". Evercore's Chappell lamented the ongoing financial arbitrages in the sector, where cheap debt could finance vessels put on long-term charters at thin margins, and offered that, with these dynamics "we will never get to mid-cycle rates."

Conversely, Giannakoulis, from Morgan Stanley, recommended Costamare exactly because of its ability to arbitrage cheap finance against good charter rates. Wells Fargo's Webber talked about the box sector being "a dangerous arms race from a shipping perspective" and described the listed container stocks as "synthetic MLPs" - partnerships bought based on their yields.

Dry bulk, where an earlier panel was searching hard for the anticipated Q4 jump upward, received limited talk time. Credit Suisse's Lewis said that he likes the sector, and that it would offer "something special."

What Lewis saw was not apparent; there was no clear definition of what was on offer. The earlier dry bulk panel, moderated by Clarksons broker Douglas Newton, heading up Clarksons' new drybulk office in midtown, was searching hard for a hefty Q4 jump upward. Newton pondered aloud whether capesize hires, as measured by the Baltic Exchange, would reach $30,000 per day in Q4 2014, compared with their present levels under $15,000 per day.

The panelists- from Euroseas, Pioneer Marine, Navios, and Steelships- a privately held drybulk owner, were looking out beyond October – November - December 2014. Around the foyer, were participants congregated during networking breaks, the discussion centered on lower iron ore prices around $81.50/tonne for nearby futures on the SGX at a time of diminished iron ore stocks at Chinese receivers. One panelist commented, "As capesizes go, so goes the rest of the market," causing another panelist to lament that the dry bulk market, across all sizes, may not see a repeat of late 2013's strength.

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Barry Parker comment- what a difference a few weeks makes. By early November, six weeks after this Capital Link conference, the tanker market was on fire across multiple sectors- even the much lamented product tanker market was yielding good money. Fotis was correct- depends a lot on the Atlantic. With the U.S. exporting gasoline, we are back in the $ again, for now!

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