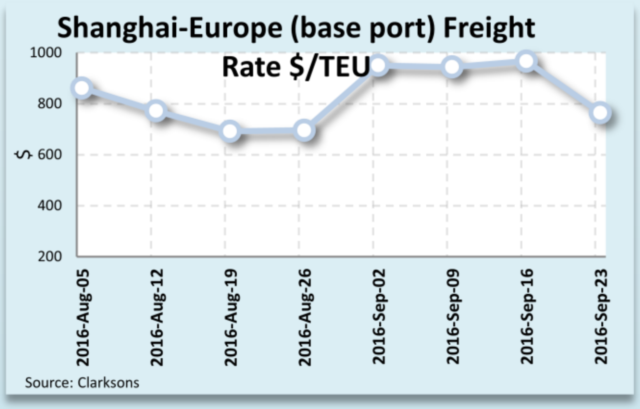
Week 38

Weekly Market Review

Key Shipping Indicators



Shanghai Containerised Freight Index ($/TEU)	
W/E 25th September 2015	313
W/E 23rd September 2016	764
Average % change Y-O-Y:	**+144%**
380cst bunker prices, Rotterdam ($/Tonne)	
W/E 25th September 2015	214.50
W/E 23rd September 2016	247.50
Average % change Y-O-Y:	**+15.4%**
Baltic Exchange Dry Index	
W/E 25th September 2015	937
W/E 23rd September 2016	896
Average % change Y-O-Y:	**-4.3%**

Irish Maritime News: Objectors fear marine test site could facilitate fish farm

The Connaught Tribune claimed this week that fears are growing that the Marine Institute's plans for a test site off Spiddal could pave the way for a fish farm in Galway Bay 'through the back door'. Campaigners are concerned about a statutory instrument which was enacted by Agriculture Minister, Michael Creed, and which changed licencing laws for salmon farms for research purposes.

The change to regulations will reportedly allow salmon farms less than 50 tonnes to operate without an Environmental Impact Assessment. The group 'Galway Bay against Salmon Cages' said the change "seems to be an attempt by Minister Creed to remove a major obstacle which would have prevented the Marine Institute getting their lease application in Spiddal sanctioned". The group said Minister Creed's signing into law the statutory instrument confirms their suspicions that the test site could be used for salmon farming.

The campaign group's chairman, Billy Smyth, said that "it would be a total waste of taxpayers' money if the Marine Institute were to set up farmed salmon research stations in Irish waters, as the

Norwegians have being carrying out similar research for the last 40 years. Let the Marine Institute just ask the Norwegians for the results of their research and save money.

Global Maritime News: Hanjin's returning Charters and Selling Ships, Depressing Global Shipping Assets

Hanjin Shipping's asset sales have started with three ships under charter sold by their owners last week, setting off a potential decline in ship values worldwide as the beleaguered maritime industry comes under renewed pressure.

On Monday, a South Korean judge ordered all charters to be returned to their owners, according to media reports.

As of early September, Hanjin operated 141 vessels but most were on charter.

According to ship valuer VesselsValue, the 62 ships Hanjin owned–which also include bulkers and tankers were worth about $1.6 billion collectively as of Tuesday.

According to mid-September statistics from VesselsValue, there are almost 3,000 ships of all types expected to come to the market from now until end-2017, with 1,408 of those ships due to be delivered before the end of the year. The orders for the ships were taken several years ago.

"(Hanjin's fall) is a reflection of the state of the industry's carriers. The carriers have not been earning a sufficient return on capital; there's been oversupply of shipping space, rates have been extremely low," said Jeremy Masters, Peel Ports Group's Asia Pacific regional director last week.

Abu Dabi Port Profit up 77% in the First Half of 2016

Abu Dhabi Ports on Tuesday reported a 77 per cent rise in net profit for the first half of the year on the back of growth across all segments.

The ports operator, which said revenue grew 20 per cent during the period, did not provide a monetary value.

The company said that growth in polymer exports and transhipments led to a 11 per cent jump in the number of twenty foot equivalent containers handled at Khalifa Port container terminal in the six months to June to 699,776 units from 629,941 units a year earlier. The port handled 1.5 million units for all of last year. The launch of services by new liners including Admiral Group, TDS and Bay Lines also helped to boost the container business.

Late last month, Abu Dhabi Ports said it was expanding the US$7 billion Khalifa Port facility to handle some of the world's largest ships to ensure Abu Dhabi's competitiveness as a global trade and investment hub and to support domestic industries. The expansion, which is due to be completed in the summer of 2018, will include 1,000 metres of quay wall, adding 600,000 sq metres of space for cargo handling and deepening of its main channel and basin to 18 metres from the current 16 metres.

Container Market: Maersk's Major Revamp: Maersk Decides to Get Out of Energy and Focus on Transport and Logistics: Denmark's A.P. Moller-Maersk, the world's largest container shipping group, will split itself up and focus on transport and logistics while seeking a way out of the energy sector, in a keenly anticipated revamp aimed at reviving its fortunes. Furthermore, the company is ready to use its financial muscle to swallow up struggling competitors as the industry heads for further consolidation, the company's chairman said.

Regarding the restructure, the 112-year-old conglomerate will focus on its core businesses, comprising Maersk Line, APM Terminals, and Maersk Container Industry, while seeking "solutions" for its smaller energy operations. Investors gave the news a cautious welcome, with Maersk shares trading slightly higher on Thursday. But some said the $30 billion company had not gone far enough.

On takeovers, Pram Rasmussen told Reuters in an interview that, in the wake of Hanjin –the world's 7th largest container carrier – filing for bankruptcy, Maersk is ready to use its strong financial position – with cash reserves of close to $12 billion – to buy up competitors.

The global shipping industry is in the middle of its worst downturn in decades, with severe overcapacity at a time when seaborne trade has yet to pick after the financial crisis. Maersk said it aims to expand its market share in the shipping industry every year through organic growth, but could grow faster through acquisitions.

Tanker Market: VLCC Rates to Remain under Pressure in Oversupplied Asian Market

Freight rates for very large crude carriers (VLCCs) are likely to remain under pressure next week as charterers drip-feed cargo in the face of surplus tonnage, shipbrokers said.

"The market is going sideways. Owners are trying to lift rates but it is very difficult because there are a lot of discounted vessels available," a European supertanker broker said on Friday of this week.

The VLCC fleet will grow by 18.2 percent in the next three years from 208.5 million deadweight tonnes (DWT) to 264.4 million DWT by 2019, figures from shipping services firm Clarkson showed.

By comparison, global seaborne crude oil volumes have risen 4 percent this year from 2015, Clarkson data showed.

The discounted vessels have dampened VLCC rates with the average now down to around $18,000 per day compared with the 2016 daily average of $41,000 and $64,846 per day in 2015, Clarkson data showed.

That compared with operating costs of about $10,300 per day, and breakeven of around $21,200, data from accountancy firms and tanker owners showed.

"The VLCC market from the Middle East kept limping along with rates hovering around recent levels," Norwegian shipbroker Fearnley said in a note on Wednesday.

"Charterers continued to drip-feed their requirements to the market which remained oversupplied (with ships)."

Dry Bulk Market: Bulk Carrier Charter Rates Jump to 12-month High on Back of Brisk Demand

Charter rates for large ocean-going bulk carriers have risen to the highest in almost a year thanks to robust demand for iron ore shipments to China. The rate for a Capesize vessel with a loading capacity of around 170,000 tons — the benchmark for large carriers — is averaging around $13,150 a day, the highest since early October 2015 and more than double the rate from a month ago.

Heavy rains in China have eroded crude steel output and pushed up prices of steel materials. As a result, Chinese steelmakers are actively procuring ore. Demand is strong for shipments from Australia and Brazil, among other places. In addition, typhoons and other inclement weather are delaying arrivals and unloading in and around China, causing vessel allocation to stagnate and compounding a ship shortage, an official at a marine shipping brokerage says.

Globus Maritime: Outlook Bleak for 2016

Globus Maritime Limited, a dry bulk shipping company, reported its unaudited consolidated operating and financial results for the six month period ended June 30, 2016.

CEO OF Globus Athanasios Feidakis said that: “The dry bulk shipping outlook for the remainder of 2016 remains bleak as we continue to deal with a quite large order book for new ships and oversupply continues to remain the biggest thorn in the industry which coupled with the reduced demand for iron ore and coal from both China and India, places most of us in the industry in peril.

“Hence, it has been a very challenging year for us and as a small cap company we have limited control over the supply and demand side of the equation, notwithstanding the above, we have focused on matters and issues that we control mainly our own operating performance through careful work with all our stakeholders.”

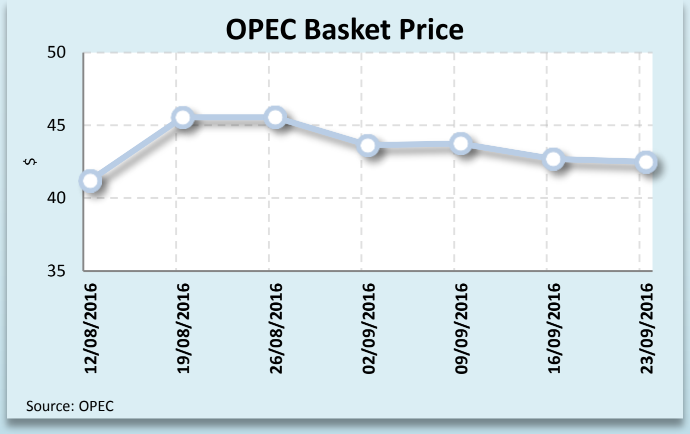
The total comprehensive loss for the first half of the year 2016 amounted to $6.9 million or $0.67 basic loss per share based on 10,362,560 weighted average number of shares, compared to total comprehensive loss of $13.6 million for the same period last year or $1.35 basic loss per share based on 10,252,360 weighted average number of shares.

Global Business News: **China Slowdown is Global Economy's Biggest Threat, Rogoff Says**

The former chief economist of the International Monetary Fund has told the BBC that a slowdown in China’s growth is the greatest threat to the global economy. Ken Rogoff said a calamitous "hard landing" for one of the main engines of global growth could not be ruled out. Mr Rogoff added: "If you want to look at a part of the world that has a debt problem look at China. They've seen credit fuelled growth and these things don't go on forever."

Last week, the Bank of International Settlements, the global think tank for central banks, said that China's credit to GDP "gap" - which analyses the amount of debt in an economy relative to annual growth - stood at 30.1%, increasing fears that China's economic boom was based on an unstable credit bubble.

Key Economic Indicators



OPEC Basket Price	
W/E 23rd September 2015	44.69
W/E 23rd September 2016	42.89
Average % change Y-O-Y:	**+3.1%**
Exchange Rates	
€/US$	
W/E 23rd September 2015	1.1150
W/E 23rd September 2016	1.1214
Average % change Y-O-Y:	**+0.01%**
€/UK£	
W/E 23rd September 2015	0.7297
W/E 23rd September 2016	0.8643
Average % change Y-O-Y:	**+18.45%**

The committee of the Bank of England will now test British banks' exposure to a Chinese slowdown. Mr Rogoff said that European economies and the US had to ensure they were "on their feet" before any slowdown started to bite. "The IMF has marked down its forecasts of global growth nine years in a row and certainly the rumour is they're about to do it again," he said.

Irish Business News

Ireland-based Investment Funds Worth €1.5 Trillion in Q2, Central Bank Says

The net asset value of investment funds resident in Ireland hit almost €1.5 trillion during the second quarter of the year, according to the Central Bank. It said it represents a 4.3pc, or €61bn rise, on the previous quarter. A strong quarter for global shares accounted for €11bn of the rise, following revaluations of equity holdings of investment funds domiciled here.

Total revaluations - which included debt holdings - resulted in a €39bn rise, while the amount of money that flowed to investment funds here hit €22bn in the three months to the end of June. The total, as opposed to net assets, of investment funds resident in Ireland in the period amounted to €1.78 trillion.

Commodities

Oil Slumps 2.8% Amid Reports Saudis Do Not Expect Output Deal:

Oil prices fell about 3 per cent on Friday, paring weekly gains, on a report that Saudi Arabia did not expect an agreement at talks next week among major crude exporters aimed at freezing production. Crude futures slumped after Bloomberg reported that Saudi Arabia did not expect a decision at Algiers, the capital of Algeria, where the biggest oil producers are expected to convene next week for talks, traders said. Bloomberg cited a "delegate" as source, said traders who saw the report.

Brent crude oil was down $1.33, or 2.8 per cent, at $46.32. For the week, it was up 1.6 per cent. US West Texas Intermediate (WTI) crude was down $1.40, or 2.9 per cent, at $44.92. On the week, WTI showed a gain of less than 5 per cent.

Earlier in the session, Brent and WTI were headed for their largest weekly gain in more than a month, reacting to a Reuters report that Saudi Arabia has offered to reduce production if rival Iran caps its own output this year. The Reuters report was based on sources that were familiar with discussions between the two sides. Traders and investors were also awaiting a US oil rig count report to ascertain if more drillers were returning to the well pad in the world's largest oil consumer. – (Reuters)

We welcome your feedback, comments and contributions. Please note that this report is a summary of current maritime and economic trading conditions and not in any way a reflection of the office's opinions or research.

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