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INTRODUCTION: CREATIVE DESTRUCTION AND GLIMMERS OF HOPE

It is always with a degree of both cautious pessimism and measured optimism that our correspondents graciously respond to our call for their opinions on what the year ahead holds. Shipping is a mysterious beast and one that, despite its superficially simple nature, contains multitudes and continues to perplex. The combination of geopolitical waves, economic phenomena, human nature, technological developments, government regulations, sudden surges and fundamental forces converge to create a market that almost defies prediction. Almost. Once again this year we are enormously thankful to our respondents—all esteemed experts and professionals in a wide range of shipping sectors—who threw caution to the wind and waded in, with gusto, to our annual parlour game in attempting to be shipping's next Nosferatu. Some responded, such as a Far East energy trader, with a few sentences to provide their expectations for the year ahead, "For our sector, we believe the dry bulk market is expected to improve in 2017 due to vessel orderbook decrease, vessel demolition increase and seaborne cargo demand growth as China's pledge to cut steel and coal overcapacity." Also notable, in contrast to last year, was the wide variety of sentiment with almost as many strongly pessimistic answers as strongly optimistic ones. Some respondents took a more mixed view-

point with tones of hope in some aspects and sighs of resignation in others. As a whole, this collection represents a robust picture of what shipping is today and where shipping's future is moving. This year, in our invitation to contributors, we added a few suggested questions for considering the year ahead:

- (1) What should we get ready for in 2017 markets?
- (2) Do you see a recovery?
- (3) How will the Singapore's Exchange recent takeover of the Baltic Exchange influence and change index-reporting in international shipping?
- (4) Will the global fleet finally stabilize?
- (5) What unforeseen forces will play a larger part?
- (6) Which sectors, countries or cargoes will change market trends in 2017?

With another year of shipping having passed by and a new one at the door, we are happy to have so much wisdom and forecasting intelligence in this edition of the BMTI Outlook report. We are massively grateful to our contributors for providing their thoughts, thankful for the support and wish every single one of our readers a most rewarding and successful 2017.

GLOBAL SHIPPING TRENDS IN THE YEAR AHEAD

LOOKING AT SHIPPING'S CRYSTAL BALL FOR 2017 PREDICTIONS — KARATZAS MARINE ADVISORS

The year 2016 has been a difficult one for the shipping industry. Most memorably, the Baltic Dry Index recorded the worst ever reading since the inception of the index in the 80s, while one of the biggest containership liner companies in the world, Hanjin, a state-sponsored company nevertheless, filed for bankruptcy. At the end of 2015, few people were expecting a very strong 2016 for shipping, however, the gravity of the weakness of the market in 2016 caught many people by surprise.

The year 2017 seems to be starting on a positive note with dry bulk, tankers, containerships and, to a lesser extent the offshore market, earning cash at breakeven levels; weakly positively overall, but definitely in positive territory.

Hopes are running high for better fortunes in the new year. The truth of the matter, however, is that troubles caused by problems of the severity of the worst freight market in modern memory and the bankruptcy of a state-sponsored 150-vessel strong company are not superficial and cannot be resolved by just a market that has an average recovery. The wounds are so substantial and deep that in the best case scenario it will take many years to be solved. It's not only the cash that many shipowners burned in the last couple of years just to keep afloat, it's not only the severe risk of a domino-effect with defaults, it's not only the risk of hollowed trust in the market place—there are also the risks that the market is still oversupplied and many affiliated industries, just as shipbuilding and shipping finance, can inflict even more wounds to the anaemic shipping market.

Although the outstanding orderbook is still meaningful, in 2016 few newbuilding orders were placed, which is good news overall. Commodities prices have improved in 2016 and likely the production of crude oil will be more stable which likely to help the

markets. Despite the threat of weak economic growth and possibly trade tariffs, etc, it seems that overall 2017 will be tolerably positive for growth in dry bulk, tankers, containerships and offshore. Presuming no deliveries of the outstanding orderbook will be brought forward, the market likely to start approaching a tonnage equilibrium later in the year.

Still, many risks remain for shipping in 2017. Ship finance has been very difficult to come by and we expect this to be a major concern for shipowners for the years to come. Shipping banks leave a big gap behind that still cannot be filled with any other source of capital. Shipping banks also can 'rock the boat' in the new year given the non-performing loans still on their books and their time pressure to resolve such problems. Further, 2017 can bring high exogenous risks to the shipping industry given a new administration in the White House and an overall anti-trade attitude. The anti-globalization trend and an overall trend of higher barriers across borders and continents can be seen also in Europe, a general attitude that is not positive for shipping. There are many political risks (what has happened to the EU?), fiscal risks (the multi-trillion un-regulated credit markets worldwide) as well as monetary risks (ballooning central bank balance sheets at a time when interest rates are too low). There are many variables outside the shipping industry that could have a very substantial impact to the industry.

2017 is likely to be a better year for shipping than 2016, mostly since 2016 was so miserably bad. And, because several trends (lower newbuilding orders, decent demolition levels, 'expensive' financing, balancing commodities markets, etc.) point to a better market. Again, however, it is to be seen whether a (marginally better) market will be good enough to pull the market out of the current doldrums.

THE GLOBAL CHALLENGE — DIANE GILPIN FOR THE SMART GREEN SHIPPING ALLIANCE

Hopes and Fears

2016—How did that work out for you?

When I wrote for Crystal Ball this time last year we were basking in the warm afterglow of the world's leaders working together in Paris to deliver the extraordinarily optimistic Paris Agreement aiming to keep global temperature increases to below 1.5 degrees centigrade. As an innovator and technologist, I was excited that setting a clear goal would enable great value, generating opportunities from this inter-

national commitment towards rapid decarbonisation; it was a prediction full of hope.

But...2016 didn't turn out quite as expected. Or maybe it did. Extremism and civic unrest has been predicted for decades by scientists and as one of the likely responses to planetary crisis. There's a great deal of fear in all directions about how the new world will look. The temperature at the North Pole is now 10 degrees centigrade warmer than expected, and no one, at the time of writing, knows how this will impact Santa Claus' epic journey.