

# GLOBAL MARINE SHIPPING MARKET

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# Supply and Demand

- Too Many Ships, Too Little Trade
- Clarksons Earnings Index (CEI), covering the bulk carriers, container ships, tankers and gas transporters...reached a 25 year low in mid-August
- 1H'16 CEI yoy -30%....80% below December '07 peak
- BANKRUPTCY: Hanjin Shipping, SK biggest container carrier and 7<sup>th</sup> in the world.
  - stranded cargo at sea
  - significant increase in freight rates in the interim??

## TIP of an ICEBERG?

- Bank loan performance by the sector?
- Hedge Funds and Institutional Investors are circling!
- Breaking Market plagued with low steel prices.

# Energy International Shipping Market

- Rates are breakeven at best.
- Crude: 100 VLCCs to be delivered over the next 24 months
- LNG: 458 ship fleet with 54 presently under construction

## US Crude Exports:

- US Crude Export Ban Lifted December 2015
- Estimates that by 2020 the US could be exporting 2-2 ½ MMBpd (implied + \$60/bbl WTI)
- The Jones Act Arbitrage: Due to the Jones Act, US will export crude without affecting crude imports because the freight cost imposed by the Jones Act.

# The Jones Act Arbitrage

Barge, US inland waterway, Sep		\$/bl
Origin	Destination	Spot rate
Corpus Christi	Texas City	3.22
Corpus Christi	Houston	3.56
Corpus Christi	Beaumont/Port Arthur	3.46
Corpus Christi	Houma, LA	4.21
Corpus Christi	St James, LA	4.72
Corpus Christi	Baton Rouge	4.26
Brownsville	Houston	2.86
Houston	Beaumont/Port Arthur	2.53
Wood River	St James, LA	3.80

Waterborne freight, 2 Sep				
Origin	Destination	Size '000t	\$/bl	\$/t
Corpus Christi	Delaware Bay	32-46	3.00	22.21
Albany	NYH	15-30	0.70	5.18
US Gulf	EC Canada	70	1.31	11.10
Europe	US Atlantic	80	1.47	10.95
Europe	US Gulf	260	0.59	4.63
Europe	US Gulf	135	1.00	7.87
Mideast Gulf	US Gulf	260	0.95	6.97
Mediterranean	US Gulf	260	0.81	6.42
Mediterranean	US Gulf	135	1.22	9.63
Covenas	US Gulf	70	1.06	7.65
Rio de Janeiro*	US Gulf	130	1.31	9.38

\*Courtesy of Southport Maritime. Phone: 561.775.3333; Email: [fix@southportmaritime.com](mailto:fix@southportmaritime.com)