

Containers

Weaker prospects for container freight rates

Rates fall across 12 of the 15 indices covering routes from Shanghai

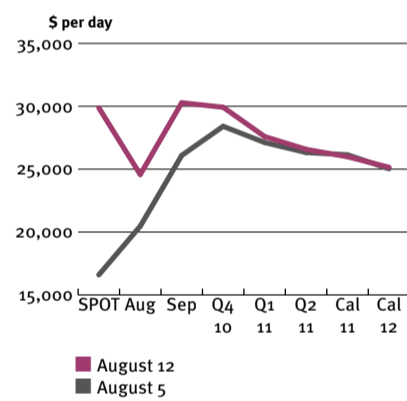
MICHELLE WIESE BOCKMANN

PROSPECTS for third and fourth-quarter container freight rates are looking weaker, with the Shanghai Containerised Freight Index showing marginal falls across most key routes from China to Europe and the US.

Rates from China to northwest Europe have fallen by \$12 over the last week to \$1,867 per teu, according to the index. Rates to the US west coast are down by \$22 to \$2,765 per teu, with greatest falls seen to Dubai. Freight rates are down \$68 to \$1,206 per teu.

All together, rates are down across 12 of the 15 indices covering routes from Shanghai, based on independent assessments compiled by the Shanghai Shipping Exchange. The nascent market for container freight swaps is settled against the indices, which have attracted growing industry attention since it was launched in January.

CAPESIZE FFA FORWARD CURVE



Source: Baltic Exchange

CLARKSON CFSF CLOSING CURVE

SCFI - Shanghai to Northwest Europe*

Period	Mid price (\$ per teu)
Aug	1,862.5
Sep	1,887.5
Oct	1,875
Q4 10	1,812.5
Q1 11	1,737.5
Q2 11	1,737.5
Cal 11	1,787.5

*SCFI is a weekly assessment of spot market containerised freight rates produced by the Shanghai Shipping Exchange

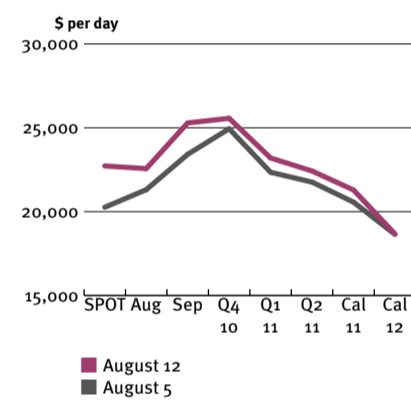
Source: Clarkson Securities Ltd

Clarkson Securities, one of two brokers that has begun promoting container freight swaps, joined the Singapore Exchange last week for a seminar to promote the sector, attended by nearly 150 representatives from container lines, banks, trading houses and funds.

Clarkson freight derivatives broker Ben

\$1,867
Rates from China to northwest Europe

PANAMAX FFA FORWARD CURVE



Source: Baltic Exchange

Gibson, who gave a presentation on hedging using container derivatives, said questions centred on how the indices were compiled and correlated to other trade lanes, and how many trades were being executed.

Mr Gibson said that the market could evolve and see shippers moving from annual contract pricing, to asking for service contracts based on spot market rates, so they could hedge in the derivatives market.

Such developments are now being seen in the dry bulk market, now that iron ore seaborne trade has shifted to a partial mix of spot and quarterly contract pricing, after being sold against annual contracts over the last 40 years.

"The majority of interest surrounds the Shanghai Containerised Freight Index," Mr Gibson said.

"I believe this is testament to the novelty of having a neutral benchmark for container freight rates and its importance to the industry."

But while two container principals have traded in swaps since they emerged eight months ago - Delphis and Chile's CSAV - many lines have expressed reservations.

Zim chief executive Rafi Danieli joined Maersk Line when he raised doubts about whether container derivatives would develop to a fully-fledged market, during an interview with Lloyd's List last week.

The volumes that can be traded are too small to be of much interest to a big container line as a hedging tool against exposure to freight rate fluctuations, he said.

Last March, Maersk Line's chief Eivind Kolding described the fledgling container derivatives market as a potential freight rates casino.

So far two clearing houses - LCH.Clearnet and SGXAsiaClear - have begun clearing the contracts, with brokers pinning their hopes that Asian lines will incorporate container freight swaps into their risk management plans. ■

SHANGHAI CONTAINERISED FREIGHT INDEX

Departing from Shanghai to following destinations:	Weighting	Weekly Index S 13/08/2010	Change on Last Week S
Comprehensive Index		1,527.06	-17.65
Line Service			
Europe (base port)	20%	1,867	-12
Mediterranean (base port)	10%	1,822	-11
United States West Coast (base port)	20%	2,765	-22
United States East Coast (base port)	7.50%	4,150	-4
Persian Gulf and Red Sea (Dubai)	7.50%	1,206	-68
Australian/N ew Zealand (Melbourne)	5%	805	-16
East/West Africa (Lagos)	2.50%	2,441	-18
South Africa (Durban)	2.50%	1,538	-41
South America (Santos)	2.50%	2,306	-34
West Japan (base port)	5%	316	0
East Japan (base port)s	5%	316	0
Southeast Asia (Singapore)	5%	425	-6
Korea (Pusan)	2.50%	181	-3
Taiwan (Kaohsiung)	2.50%	247	-10
Hong Kong	2.50%	142	1

Price is US\$/teu except * which are US\$/feu

Source: Shanghai Shipping Exchange



Participants at last week's container freight seminar in Singapore.

Paper values reverse gains

AFTER rising sharply for most of last week, profit-taking and concern about weaker economic growth in China saw the reversal of gains made in dry bulk paper, writes Michelle Wiese Bockmann.

Fourth-quarter capesize contract values gained much ground as the underlying physical market reported the strongest gains in 14 months, albeit from a low base.

Contracts peaked at over \$33,000 per day on Wednesday but were trading

\$3,000 lower at \$30,000 by Friday. Panamax fourth-quarter paper also retreated from highs of \$26,600 to \$25,500 by Friday.

Calendar 2011 contracts lost significant ground, with panamaxes trading at \$21,000 per day on Friday, from \$29,700 days earlier, according to Freight Investor Services.

Capesize 2011 contracts were at \$26,250 on Friday, up by \$250 over a week. ■

Tankers

Tight availability to boost Black Sea suezmax rates

SUEZMAX tanker rates are set to firm this week for loadings in the Black Sea and Mediterranean as charterers supply of available, smaller aframax tankers tightens, writes Martyn Wingrove.

Daily earnings on the Baltic Exchange TD6 route - shipping 130,000 tonnes of crude from Novorossiysk to Augusta had risen to \$19,325 per day at the end of last week from \$11,500 per day the week before. On a Worldscale basis, the TD6 rate was W86 last Friday, up from a low of W82 10 days earlier.

"In the Mediterranean, aframax rates have got stronger and this will bring suezmaxes back into play. Availability is not necessarily tight but there is not much overhang into September," a London-based broker said.

Up to 12 suezmax tankers were

available, bloated by ships ballasting back from the northwest Europe and the US Gulf, to cover the last three August cargoes in the Black Sea or Mediterranean.

Brokers questioned whether all the available tankers from the Atlantic trading region would bother going to the Mediterranean to cover these cargoes.

"At these rates, owners may not want to ballast ships back from the US Gulf just for a cross Mediterranean cargo. They are more likely to go to West Africa instead," another London-based broker said.

"There seems to be a couple of cargoes out there that charterers are having problems covering. Rates are around W85 for now, but could head to W90 on the back of stronger aframax rates."

Last Friday, BP fixed the 2004-built,

159,081 dwt *Aegean Dignity* at a rate of W92.5 to ship a cargo from Ceyhan in Turkey to the UK Continent.

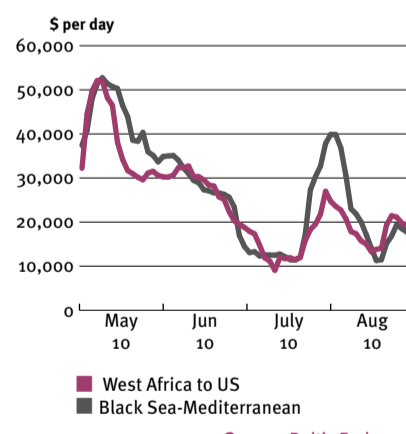
Rates for suezmax tankers shipping West African crude to the US dropped at the end of last week after briefly showing signs of strength at the week's start. Rates had jumped W10 points to W95, or \$21,500 per day last Monday, but had slipped to W91, or \$18,000 per day by Friday.

"Rates have been drifting downwards but there is some resistance from owners and they have stopped taking cargoes below W85. There are quite a few ships around so the ball is in the charterers court," a London-based broker said.

There were 16 suezmax tankers that could load a West African cargo to the end of this month, including 12 ballasting back from the US and four from Europe.

SUEZMAX SPOT TCE EARNINGS

May 13, 2010-August 13, 2010



Source: Baltic Exchange

Last week, charterers were mopping up the last of this month's cargoes and on Friday three traders had fixed suezmaxes for early September loadings.

BP fixed the 2005-built, 159,549 dwt *Da Li Hu* at W85 to ship an Angolan cargo to the US Gulf.

Oil trader Cepsa fixed the 2009-built, 158,267 dwt *Patroclus* at W85 to take a West African cargo to Spain.

Indian energy group Reliance fixed an unnamed Thenamaris tanker to ship a cargo from the Dalia terminal, offshore Angola to do a ship-to-ship transfer on to a very large crude carrier elsewhere in the Gulf of Guinea on a lump sum of \$750,000.

One London-based broker said this was an unusual fixture as there were few ship-to-ship transfers off West Africa. ■

Dry Fixtures

TIME CHARTER
Mineral New York (built 2010, 176,000 dwt) delivery retro Zhoushan 26 July trip via Richards Bay redelivery Singapore-Japan rge \$31,000 daily - Oldendorff
Cape Awoba EdF Relet (built 1996, 171,978 dwt) delivery Immingham 4/6 Sept transatlantic round redelivery Skaw-Cape Passero \$53,000 daily - Oldendorff
SA Altius (built 2001, 171,509 dwt) delivery PMO 20/22 Aug trip via Brazil & PG redelivery PMO \$37,000 daily - Oldendorff
Sea Star (built 2010, 93,315 dwt) delivery retro Dangjin 9 Aug trip via East Coast Australia redelivery India \$20,750 daily - Indian chrt
Chang Hang Xiang Hai (built 2010, 92,500 dwt) delivery Taichung 18/23 Aug trip via Australia redelivery India \$19,000 daily - charterer not reported
Tom Saltholm (built 2008, 83,685 dwt) delivery Krishnapatnam in d/c 24/28 Aug trip via Richards Bay redelivery India \$23,000 daily - Oldendorff
Centurion (built 2005, 76,838 dwt) delivery Guangzhou 20/24 Aug trip via Indonesia redelivery Continent \$12,000 daily - Cargill
Ri Guan Feng (built 2010, 76,000 dwt) delivery CJK 18/22 Aug trip via Port Latta redelivery China \$20,000 daily - Klaveness
Triton (built 2001, 75,336 dwt) delivery Civitavecchia 16/20 Aug 2 laden legs redelivery Singapore-Japan rge \$35,000 daily - Vista
COS Intrepid (built 2001, 74,119 dwt) delivery Zhangjiang 18/20 Aug trip via East Coast Australia redelivery Far East

The Baltic Exchange

\$22,000 daily - charterer not reported
Carina (built 1997, 73,049 dwt) delivery CJK 20/25 Aug trip via Indonesia redelivery Malaysia \$18,000 daily - Brade Carriers
Alpha Future (built 1999, 72,893 dwt) delivery Song Xia 19/20 Aug trip via Newcastle redelivery Japan \$21,000 daily - Boctmar
Hua Shan Hai (built 1998, 72,709 dwt) delivery Kwangyang 24/28 Aug trip via NoPac redelivery Singapore-Japan \$21,750 daily - charterer not reported
Aristides N.P. (built 1993, 69,228 dwt) - reported 12/08 the charterer is Oldendorff
Glebe Bulker (built 2010, 58,000 dwt) delivery Hachinhoe spot trip via NoPac redelivery Singapore-Japan approx \$21,000 daily - charterer not reported
Medi Paestum (built 2009, 55,614 dwt) delivery

Continent spot trip via Brazil redelivery Cont-Med approx \$19,000 daily - charterer not reported
Tropical Queen (built 2005, 52,498 dwt) - as per report 12/10 vessel is now said to have been fixed on voyage basis
Mimosa (built 2002, 52,479 dwt) delivery West Africa spot trip via East Coast South America redelivery South east Asia \$29,000 daily - Cargill
Falcon (built 2001, 50,296 dwt) delivery Niihama spot trip via NoPac redelivery New Zealand intention sulphur \$19,000 daily - Greig Star
Van Nice (built 1984, 47,893 dwt) delivery Chittagong 16/24 August trip via East Coast India redelivery Singapore-Japan intention PRC \$10,000 daily - Ray Metals
Honesty Ocean (built 1997, 47,240 dwt) delivery Tema 14/16 August trip via East Coast South America redelivery Singapore-Japan \$27,000 daily - Trafigua
Blue Sand (built 1998, 46,570 dwt) delivery Gibraltar 15/16 August trip via St. Lawrence redelivery Med \$17,750 daily - AWB
St Gregory (built 2010, 32,600 dwt) delivery Newport UK prompt trip via Churchill redelivery Brazil \$14,000 daily - Medmar
Silvapiana (built 2003, 29,721 dwt) delivery Nueva Palmira 21/26 Aug trip via Plate redelivery Skaw-Passero \$22,850 daily - charterer not reported
Transformer OL (built 2009, 28,375 dwt) delivery San Nicolas Argentina 24/28 Aug trip redelivery Skaw-Passero approx \$23,000 daily - charterer not reported

PERIOD
Tai Prosperity (built 2005, 77,747 dwt) delivery Hong Kong ppt 3/5 months trading redelivery worldwide \$27,000 daily - Norden
Ocean Minerva (built 2007, 75,689 dwt) delivery S.Japan 1/30 Sept 3/5 mtr
F.D. Gennaro Aurilla (built 2007, 74,414 dwt) delivery Haldia 18/20 Aug 3/5 months trading redelivery worldwide \$26,000 daily - Cargill
Sea Resolute (built 1998, 73,322 dwt) delivery Paradip 18/20 Aug 10/11 months trading redelivery worldwide \$24,500 daily - Etizen
Lopi Z (built 1998, 71,982 dwt) delivery Worldwide Oct/Dec 12/15 months trading redelivery worldwide \$22,500 daily - Oldendorff
Ince Ege (built 2010, 57,396 dwt) delivery WC India early September 6/8 months trading redelivery worldwide \$23,000 daily - charterer not reported
Ince Karadeniz (built 2010, 56,995 dwt) delivery Fangcheng 1/15 September 7/9 months trading redelivery worldwide \$23,000 daily - Simochar
Genco Provence (built 2004, 55,317 dwt) delivery Tunisia end August min 16/max 18 months trading redelivery

worldwide \$20,300 daily - Setaf
Sophia D (built 2008, 53,565 dwt) delivery Turkey mid August 2/4 months trading redelivery Atlantic \$20,000 daily - charterer not reported
Global Glory (built 1998, 45,769 dwt) delivery West Africa 17/19 August 4/6 months trading redelivery worldwide \$23,000 daily - ABT
Alexandros Theo (built 2000, 45,659 dwt) delivery Algeria 20/30 August 4/6 months trading redelivery worldwide \$24,000 daily - Oldendorff
ORE
Ocean Lady (built 2009) 170000/10 Port Hedland/Qingdao 22/25 Aug \$11.35 fio scale/30000sc - BHP Billiton
Bulk China (built 2005) 170000/10 Port Hedland/Qingdao 23/25 Aug \$11.00 fio scale/30000sc - FMG
Scope Cargill relet (built 2006) 170000/10 Port Hedland/Qingdao 21/30 Aug \$11.25 fio scale/30000sc - BHP Billiton
Cape Lambert (built 2010) 160000/10 Dampier/Qingdao 1/10 Sept \$10.35 fio scale/30000sc - Cargill
Shagang Vessel to be Nominated 160000/10 Tubarao/Qingdao 1/15 Sept \$26.50 fio scale/30000sc - Oldendorff
MOSK Vessel to be Nominated 140000/10 Huasco/Kwangyang 2/0 Pohang 16/30 Sept \$24.60 fio scale/45000sc - POSCO
Hua Fa (built 1992) 125000/10 Tubarao/Kaohsiung 1/15 Sept \$28.50 fio scale/45000sc - CSE