Secondhand market slows as newbuilding appetite firms

Secondhand sales and purchase (S&P) activity has slowed in the first nine months of this year as the sector is eclipsed by a firm newbuilding market that is exacerbating the overtonnage plight of the shipping industry.

From January to September, a total of 840 ships representing some 40m dwt changed hands, a drop of 18% year-on-year. Out of the total S&P activity, bulk carriers and tankers dominate the market share with 33.8% and 27.3% respectively, according to analyst Golden Destiny.

The bulk carrier and tanker segments are expected to lead the secondhand S&P activity for the rest of this year, while containership newbuildings remain the more appealing investment types for owners.

"The buying momentum in the bulk carrier and tanker segments has shown stronger levels, on the back of more solid earnings from the end of July in the dry market and further sharp corrections of asset prices, which stimulate investors' appetite for stronger purchases," said Maria Bertzeletou, analyst at Greece-based Golden Destiny.

During the nine-month period, 1,305 new ships of 78m dwt were ordered and 640 ships of 29m dwt were scrapped, representing a year-on-year fall of 5% and 11% respectively.

"The enormous newbuilding tonnage under construction for delivery in the forthcoming two years jeopardises the prosperity of shipping players, as the deadweight sent for disposal is only 37% of the total deadweight ordered," she said.

> "The enormous newbuilding tonnage jeopardises prosperity"

From the end of September, however, the market experienced some weeks with spikes in the volume of secondhand S&P activity.

The first two weeks of October saw S&P activity averaging around 32 vessels per week, with bulk carriers and tankers being the most popular purchase candidates, while gas tankers and containers showed nine and 11 transactions respectively.

During the third week, there was a 56% plunge in S&P activity due to non-revealed purchasing momentum in the container market and only one transaction concluded in the gas sector, according to data from the analyst.

"We maintain the position that S&P secondhand investments are more appealing as they do not hold any risk for the performance of the charter market under the current fragile vessels' supply picture," Bertzeletou said.

Asia-Europe box rates drop below zero

Worse to come, warns Alphaliner

On the week that saw the official start of the Daily Maersk service connecting Asia with Northern Europe, freight rates on this tradelane declined to below zero. Once bunker surcharges have been stripped out, researcher Alphaliner said lines are now taking cargoes at a loss on this route, and rates will continue to fall as the big carriers embark on a "destructive" rate war.

> **677**
> US dollar spot rate per teu from Shanghai to North Europe

The Far East-North Europe spot rate has sunk to $677 per teu while the average bunker adjustment factor currently stands at $750 per teu. Net rates are now lower than the worst period experienced during the 2009 slump.

"However, these 'negative' freight rates are illusory as current BAF levels fail to incorporate cost savings from extra-slow steaming and from the impact which the introduction of larger ships had on actual per-container fuel costs," Alphaliner said.

Based on a fuel price of $650 per ton, the actual per-slot bunker costs for a Far East-North Europe round trip are around $280 per teu for a 13,000 teu vessel and $370 per teu for an 8,500 teu ship. This represents less than half the average BAF currently applied by carriers on the westbound leg out of Asia.

"With such 'income' generated from bunker surcharges and with carriers still engaged in a destructive price war there is thus a high probability that container freight rates will drop even further."

Elsewhere, spot rates for container shipments from Hong Kong to Los Angeles fell to their lowest level in the last 22 months, according to Drewry Shipping Consultants' latest weekly benchmark.

Drewry's index dipped to $1,478 per feu this week, the lowest since January 11, 2010. Rates on the transpacific have plummeted close to 20% since the end of August.