

Where do we go from here?

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Capital Link Hong Kong Maritime Forum

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Shipping Markets – Current trends & outlook

Heaven or hell?

IMO 2020 AT A GLANCE

A NEW REGULATION ENFORCING A 0.5% GLOBAL SULFUR CONTENT CAP FOR MARINE FUELS, DOWN FROM THE CURRENT 3.5% LIMIT

WHAT THE REGULATION MEANS



Increase in freight transportation costs



Uncertainty over monitoring, compliance and enforcement standards



Lower environmental impact



WHAT SHIPPERS CAN CHOOSE TO DO



Switch to IMO-compliant fuels with lower sulfur content



Install scrubbers on ships to reduce sulfur oxide emissions



Use LNG or other alternative fuels

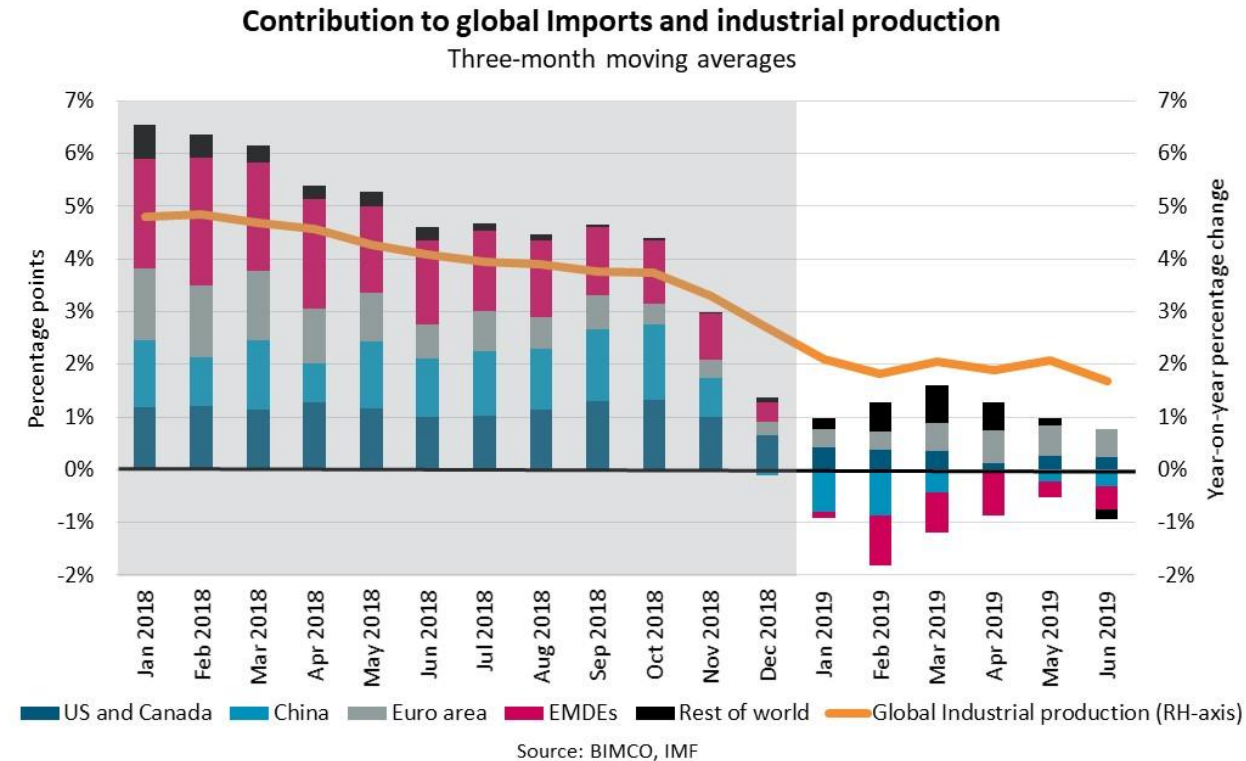
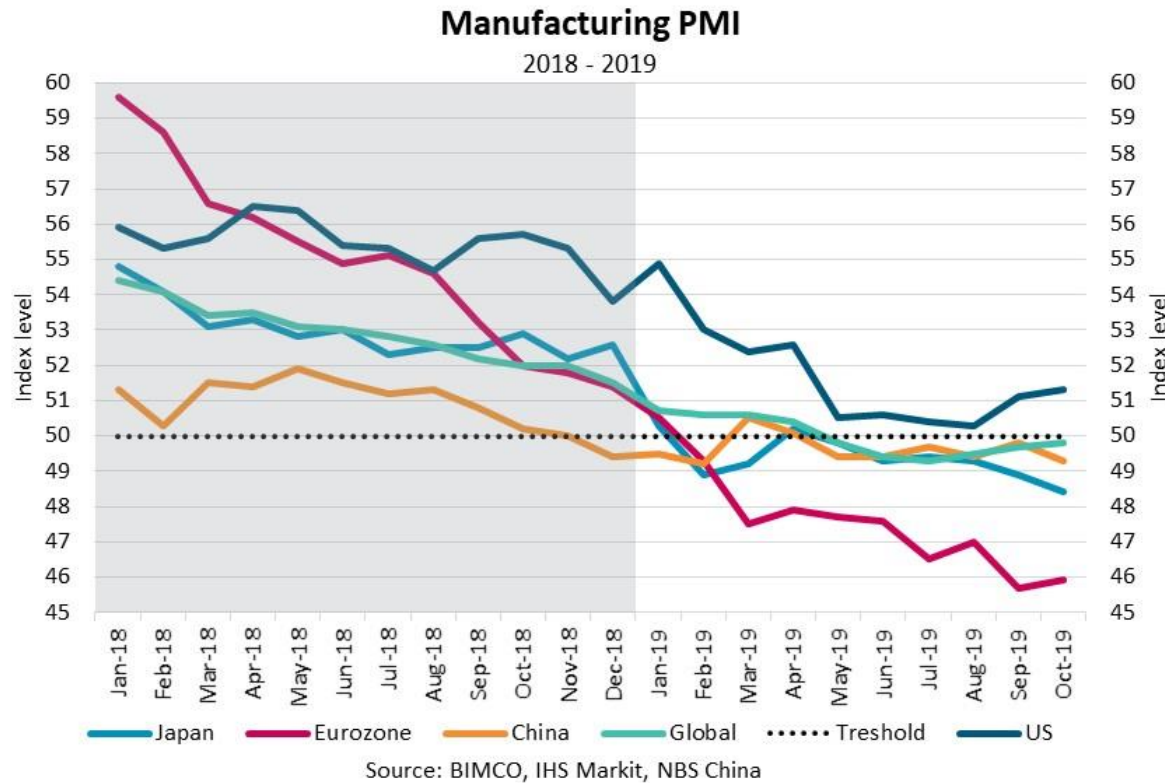


The fundamental balance will continue to set the course for shipping markets.

GOOD NEWS (*the light in the dark*): 2019 is 2nd lowest on NB orders since 2010

But demolition is the lowest since 2008...

Synchronized slowdown of the global economies



Barriers to trade are BAD for shipping

BIMCO



The
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Creative disruption Asia's winners in the US-China trade war

A report by The Economist Intelligence Unit



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The Economist INTELLIGENCE UNIT

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So
much
"last
year"



Barriers to trade are BAD for shipping

BIMCO

Only gone
from bad
to worse



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Creative disruption Asia's winners in the US-China trade war

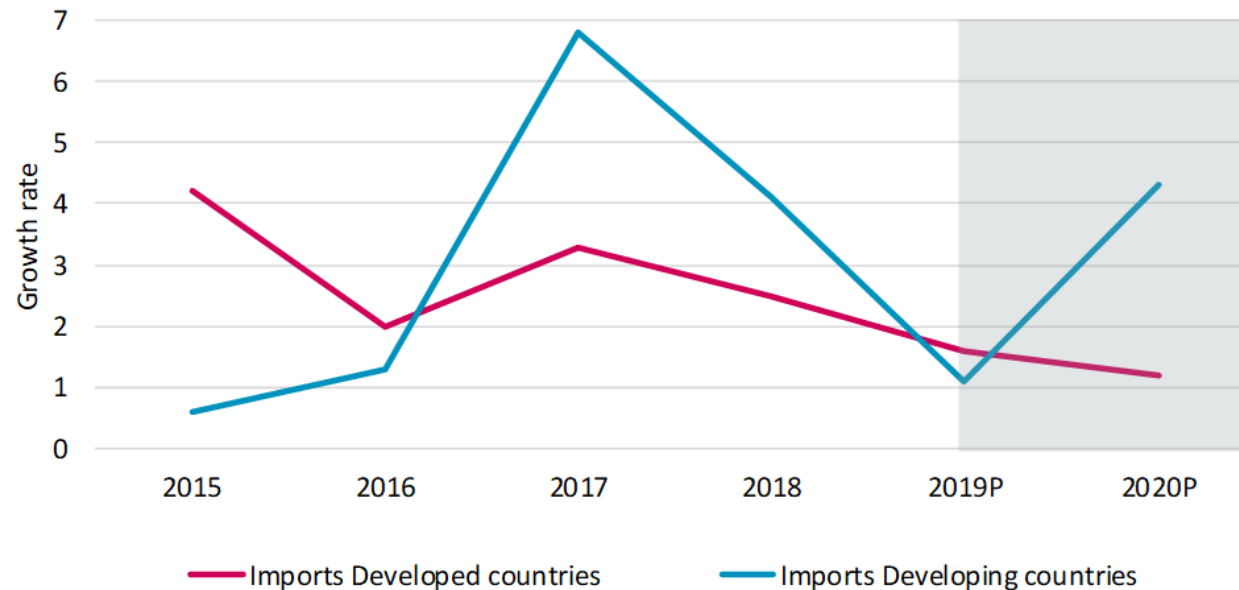
A report by The Economist Intelligence Unit

So
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Only EM are set to grow faster in 2020

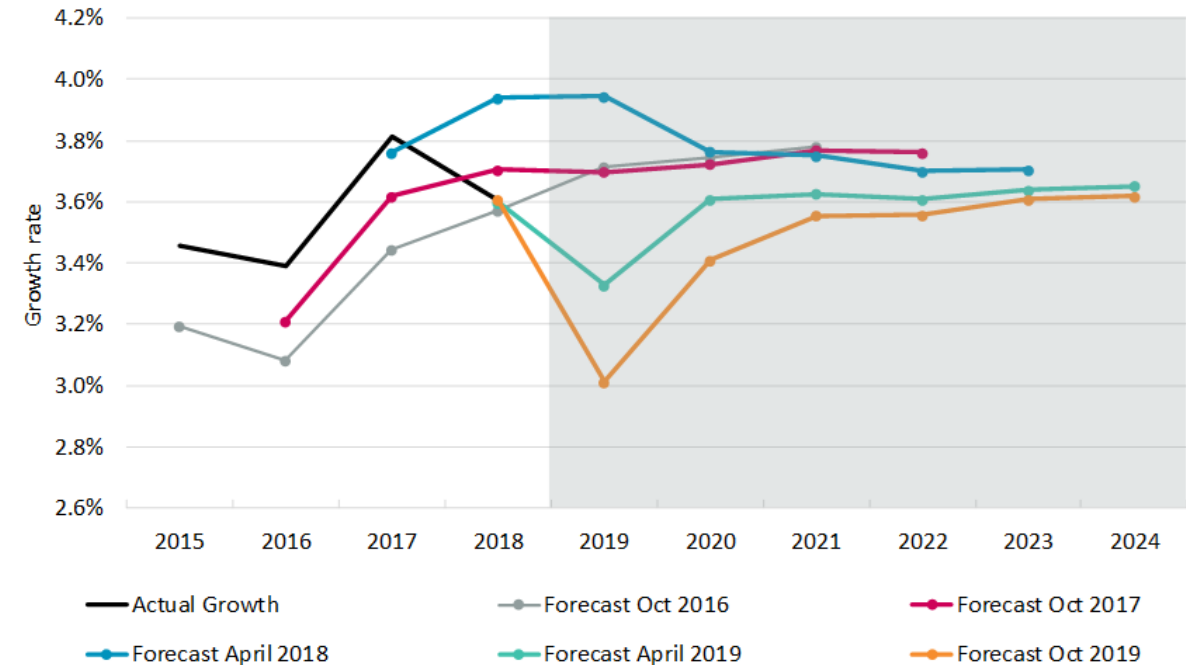
Growth in goods trade volumes
goods only, 2015 - 2019



Source: BIMCO, WTO, UNCTAD

Growth rates for 2019 and 2020 are projections

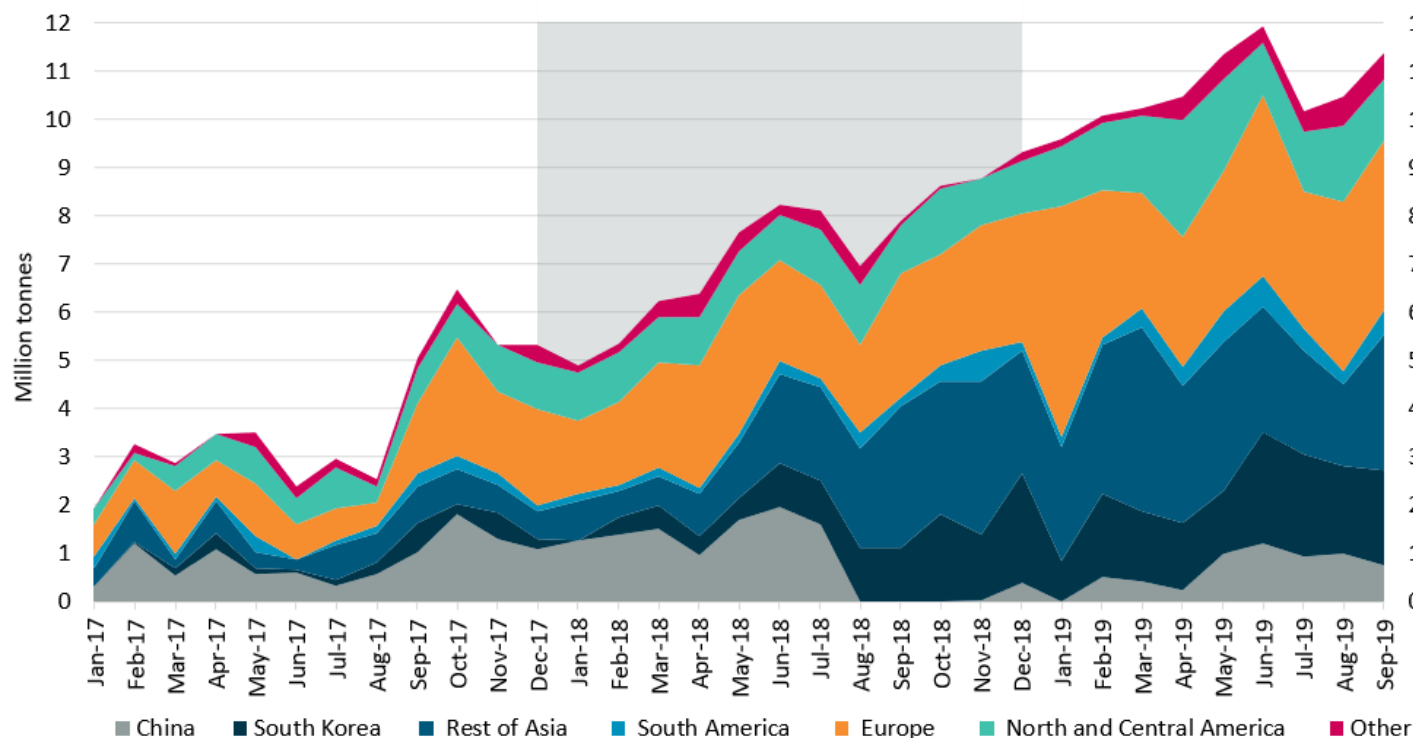
IMF Real GDP Growth Forecast
2015 - 2024



Source: BIMCO, IMF

Refinery maintenance and IMO 2020

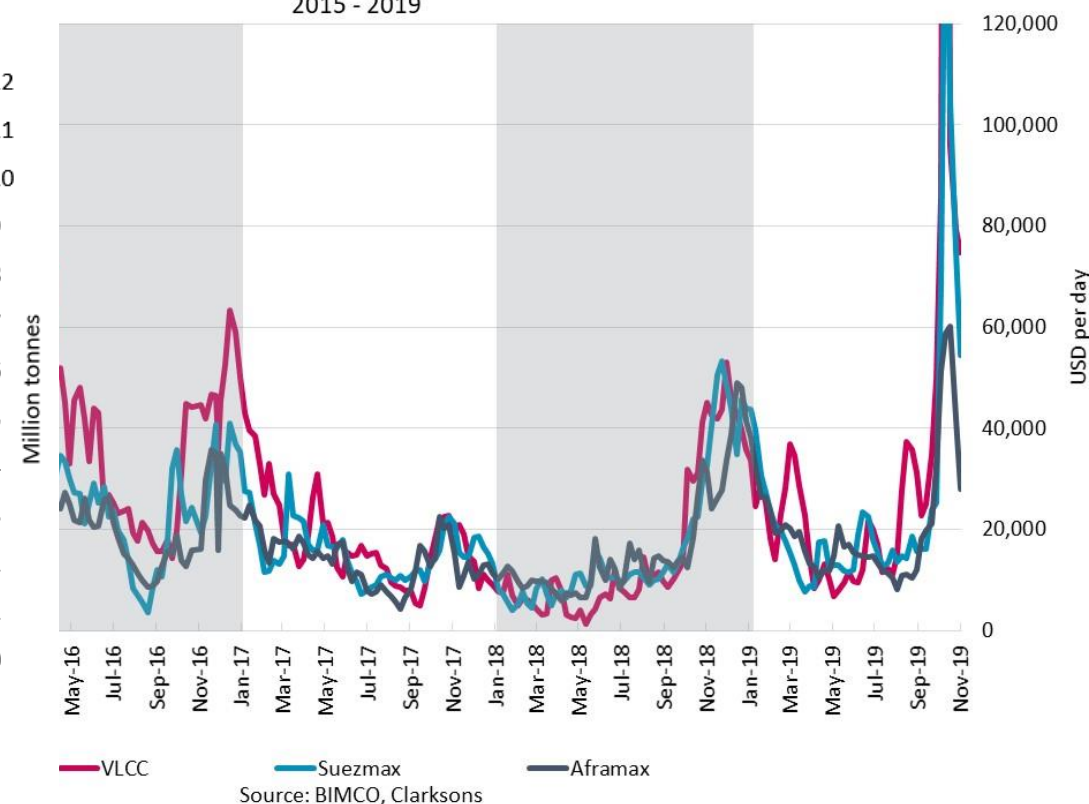
US crude oil exports in volumes
2017 - 2019



Source: BIMCO, US Census Bureau

Note: On 18 December 2015 the US Congress lifted the 41 year old ban on crude oil exports

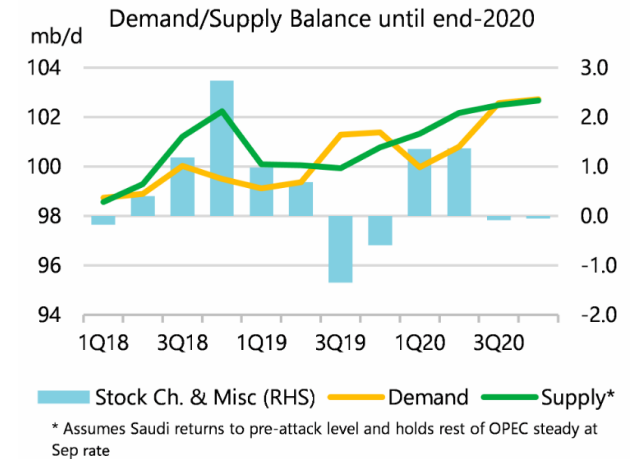
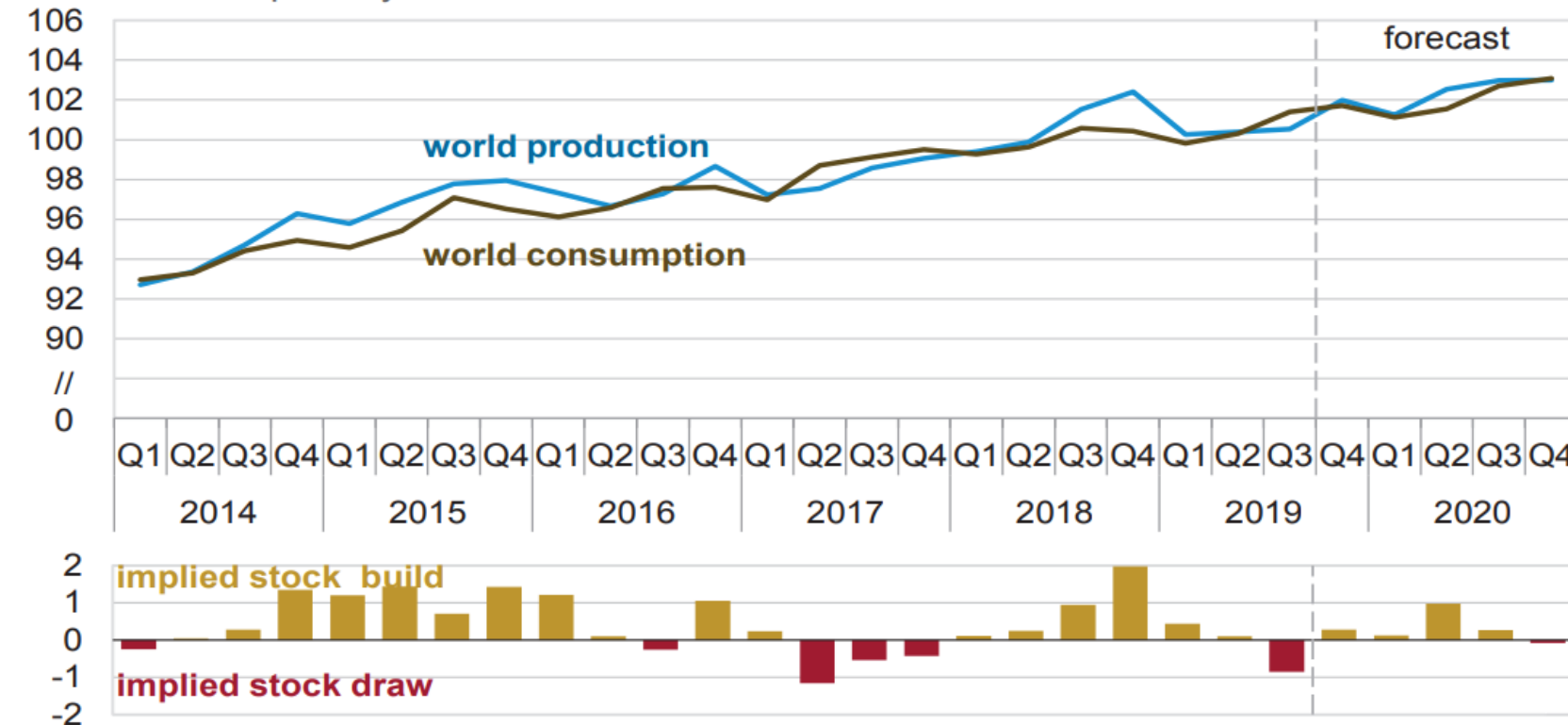
Crude oil tanker earnings
2015 - 2019



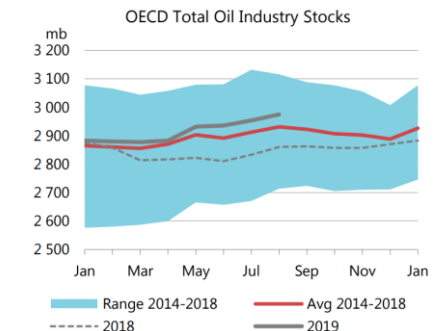
Source: BIMCO, Clarksons

Believe no one, and keep asking questions

World liquid fuels production and consumption balance
million barrels per day

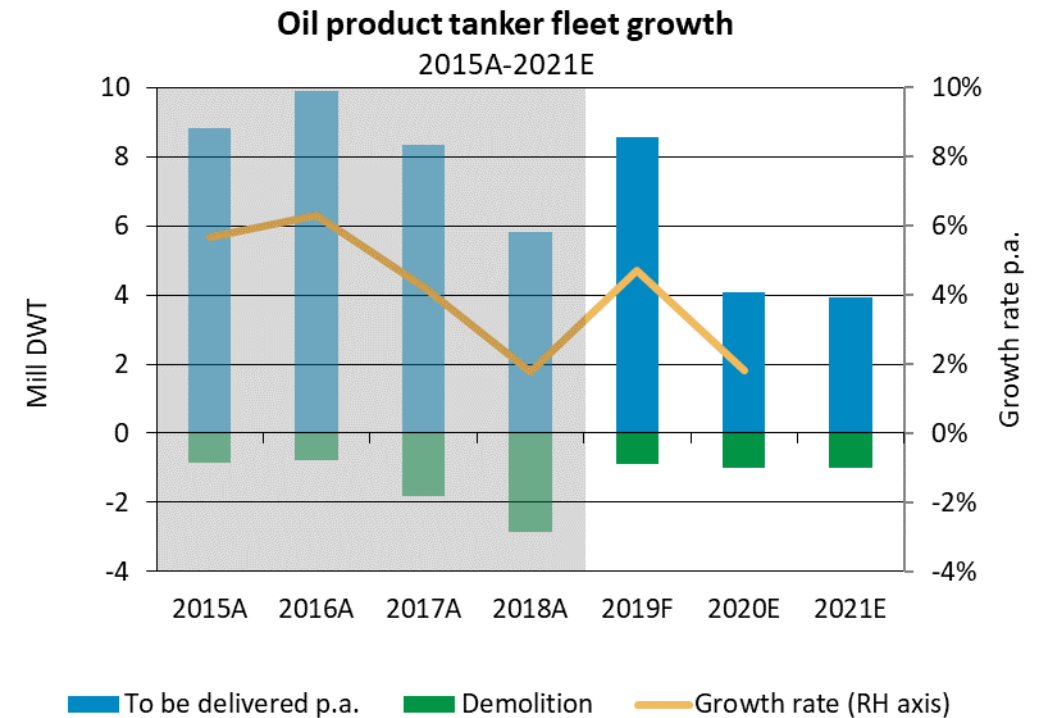
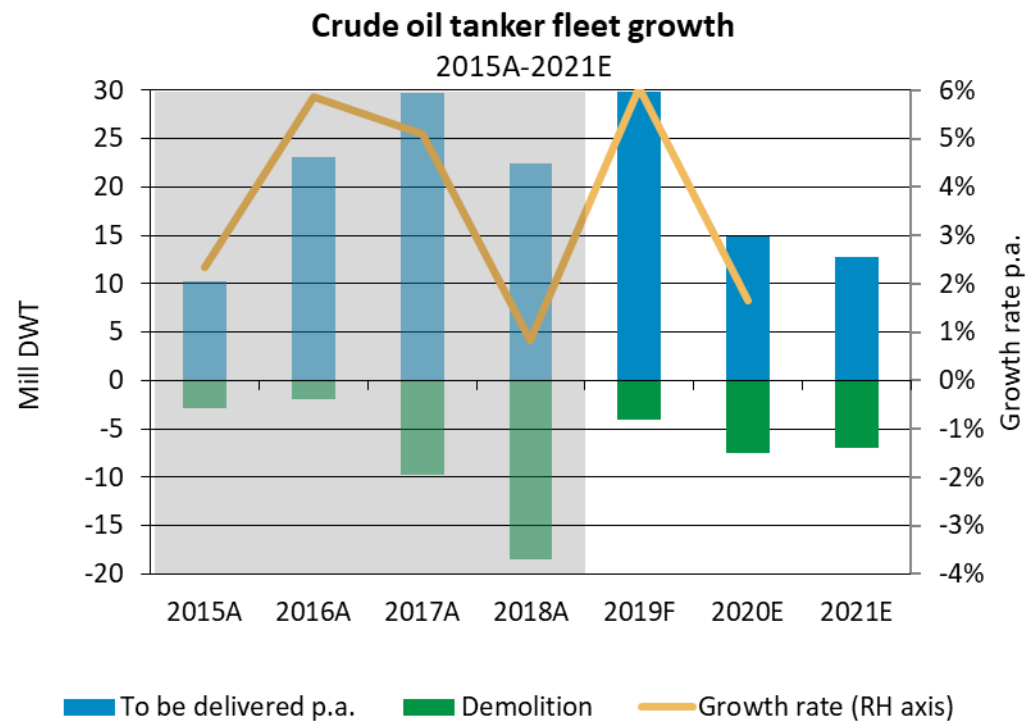


* Assumes Saudi returns to pre-attack level and holds rest of OPEC steady at Sep rate

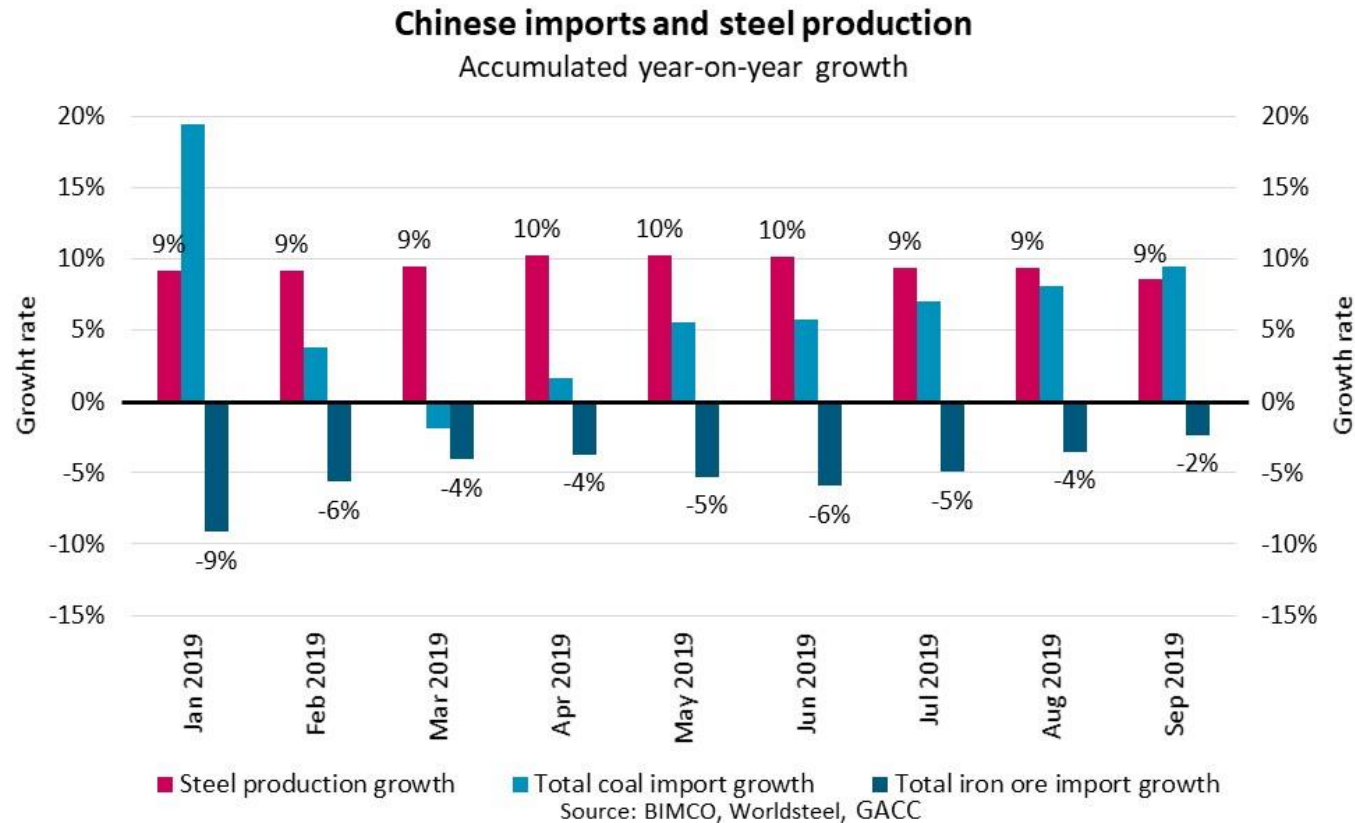


Source: Short-Term Energy Outlook, October 2019

Notoriously good at “getting ready”



It's the steel production, stupid

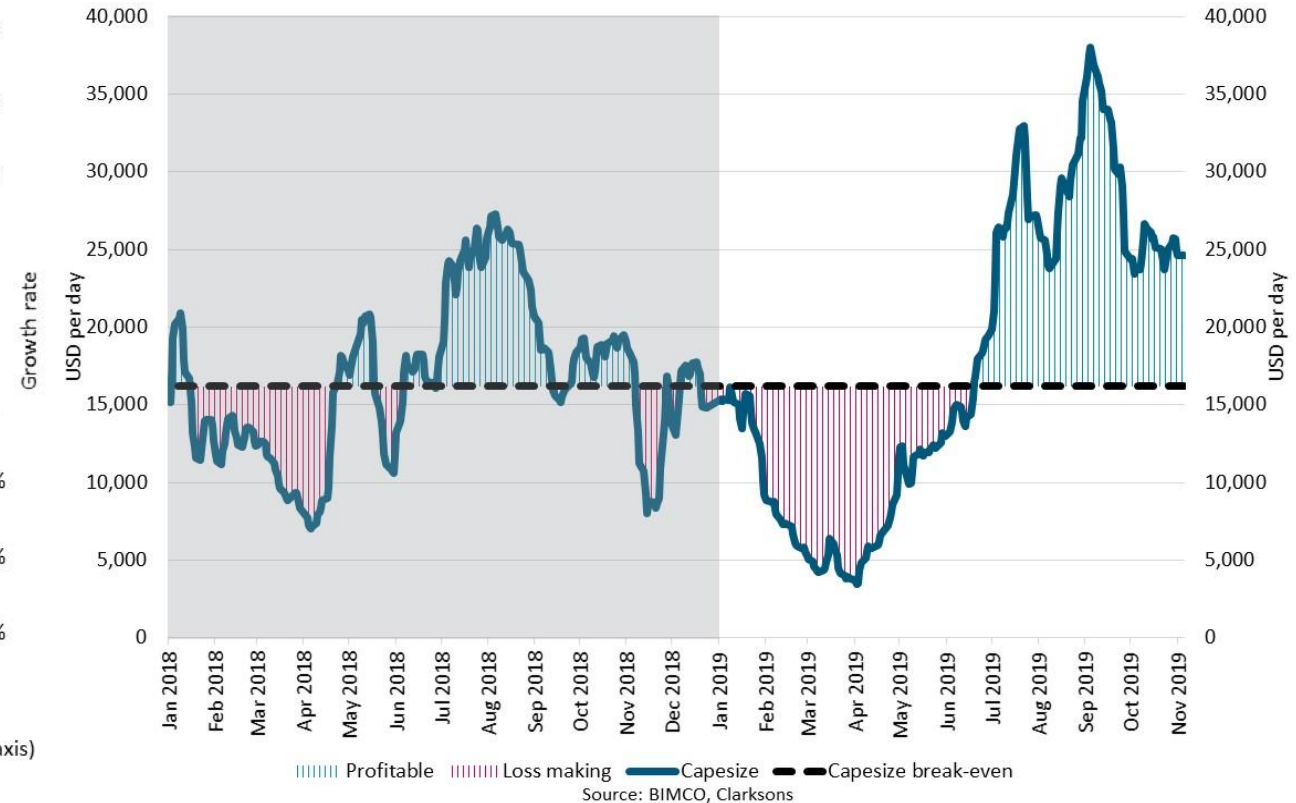


Capesize comeback

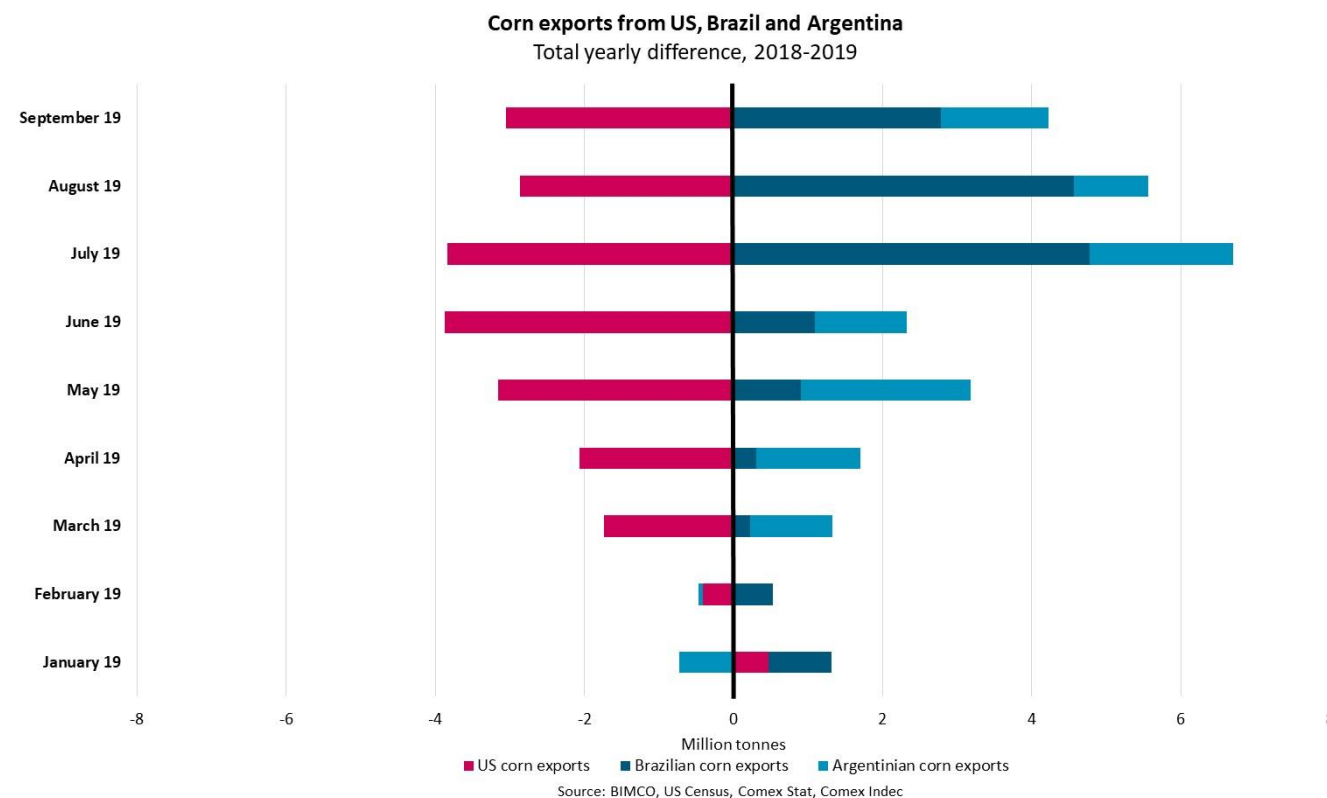
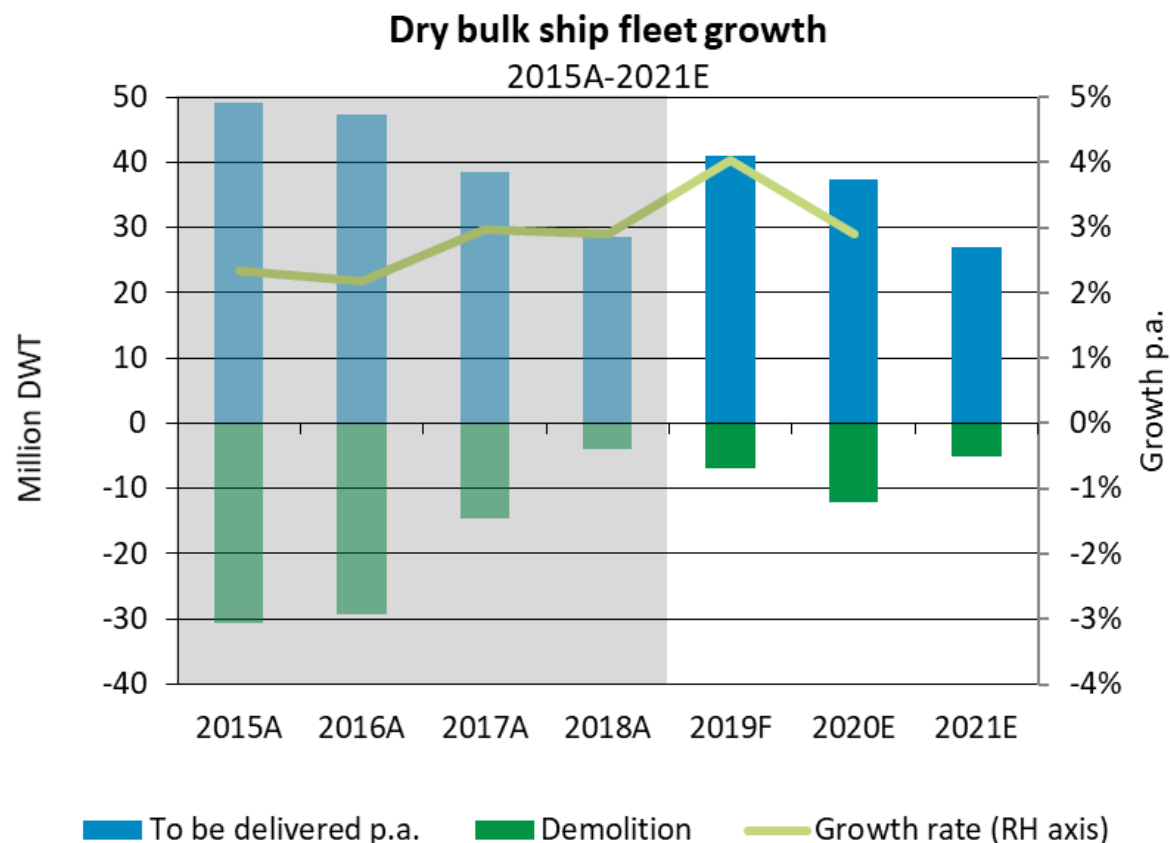
Brazilian iron ore exports
2017 - 2019



Capesize profit and loss
2018-2019

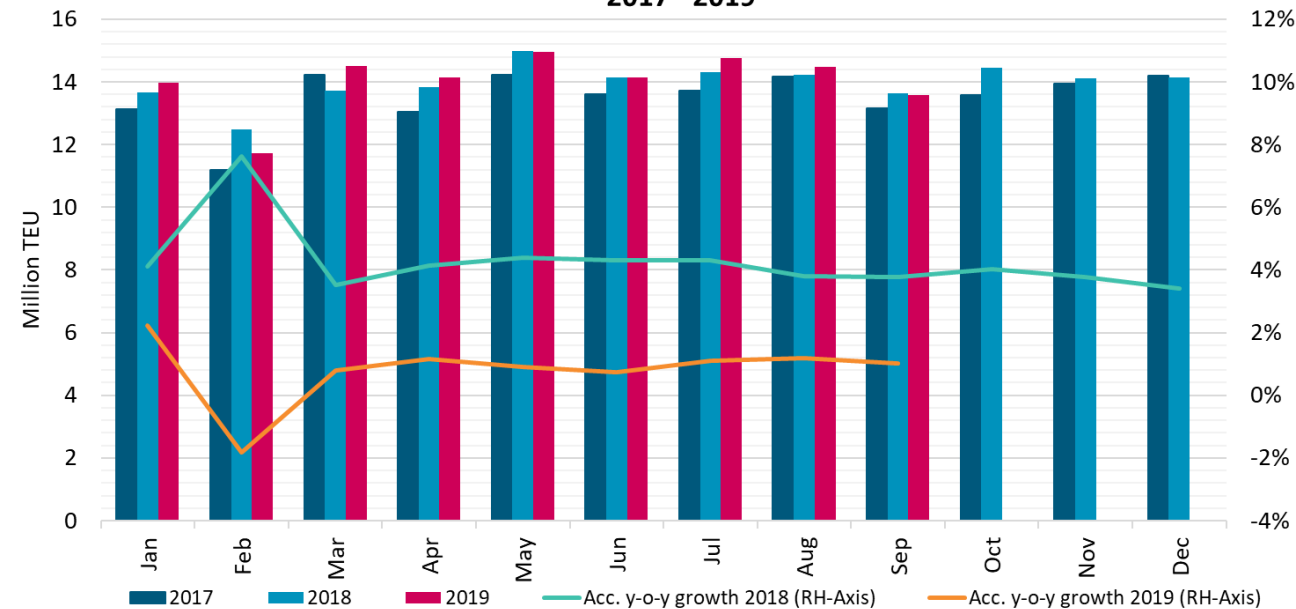


Capesize fleet vs Agriculture exports



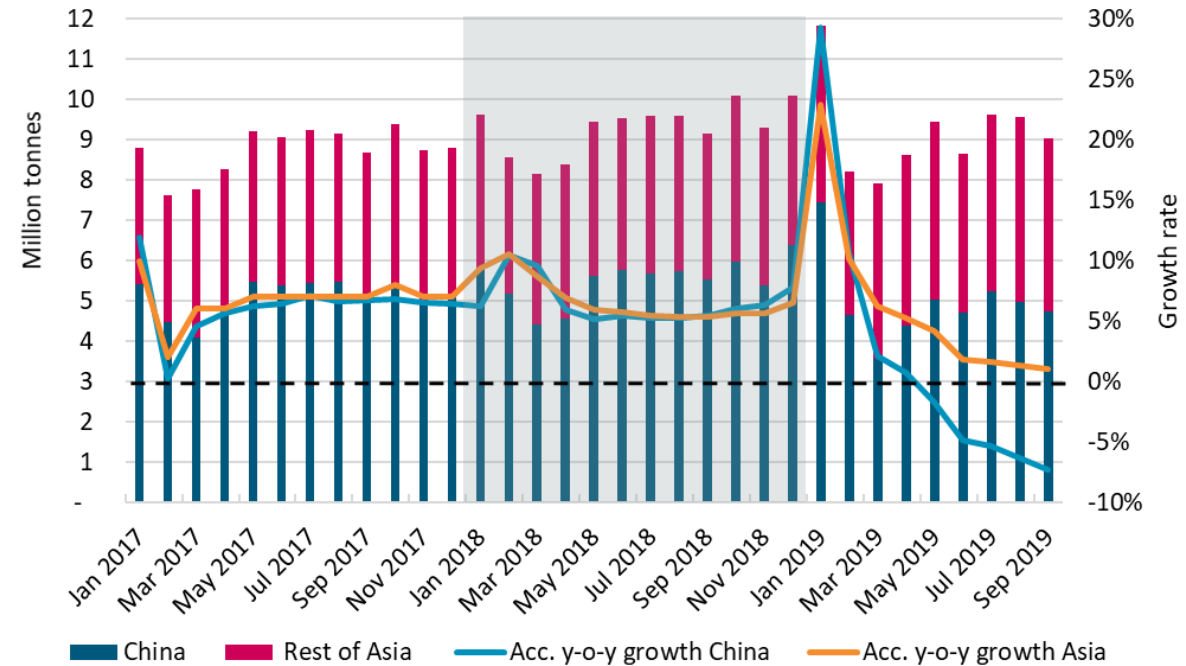
Global and local = low demand growth

Global container shipping demand
2017 - 2019



Source: BIMCO, CTS

US containerised imports
2017 - 2019

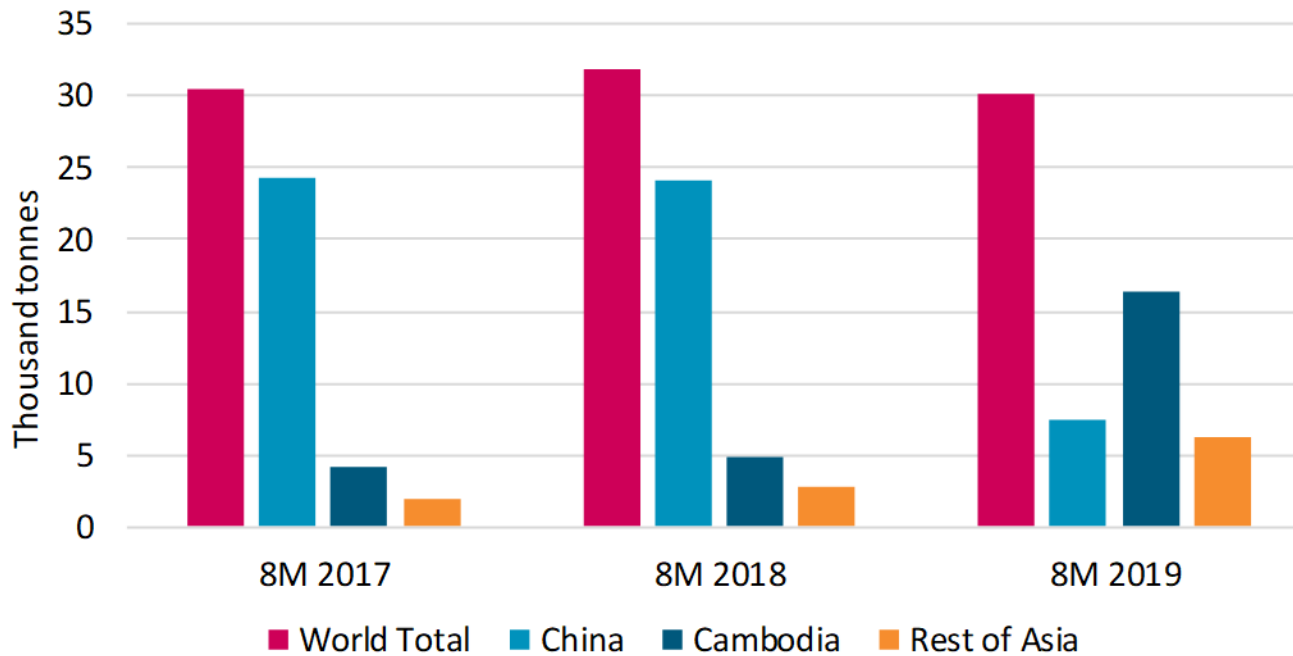


Source: BIMCO, US Census Bureau

Note: frontloading was clearly visible in January

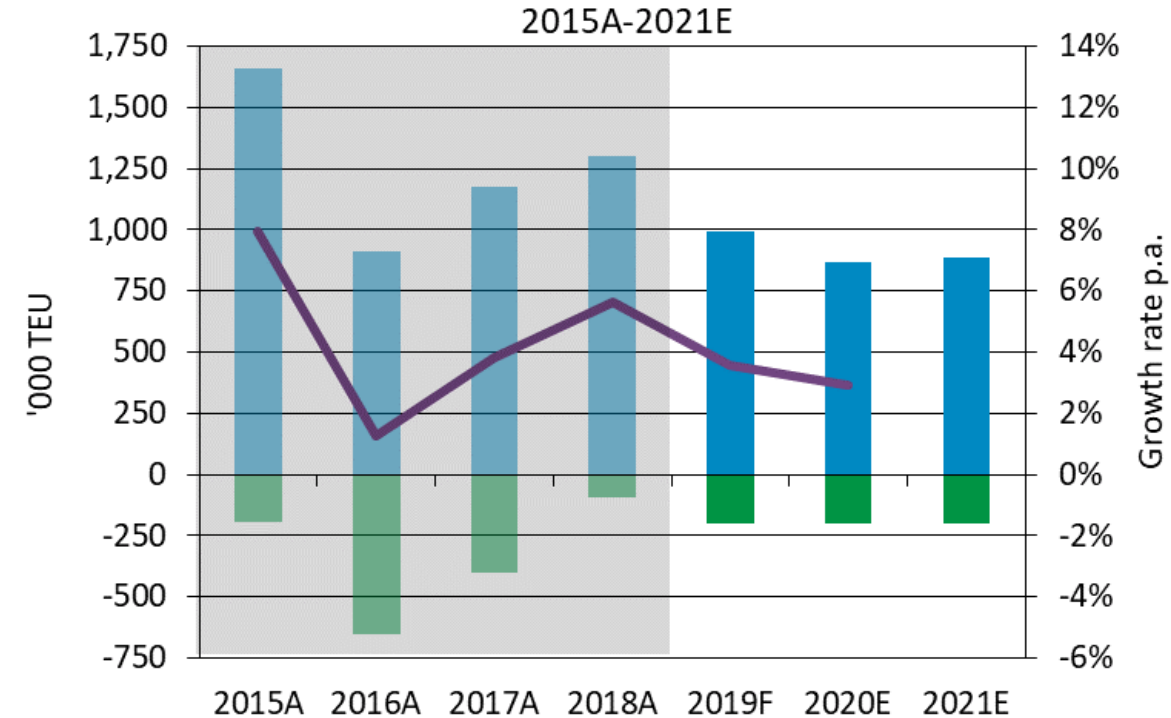
Has Santa moved to Cambodia?

US seaborne imports of Christmas tree lights



Source: BIMCO, US Census Bureau

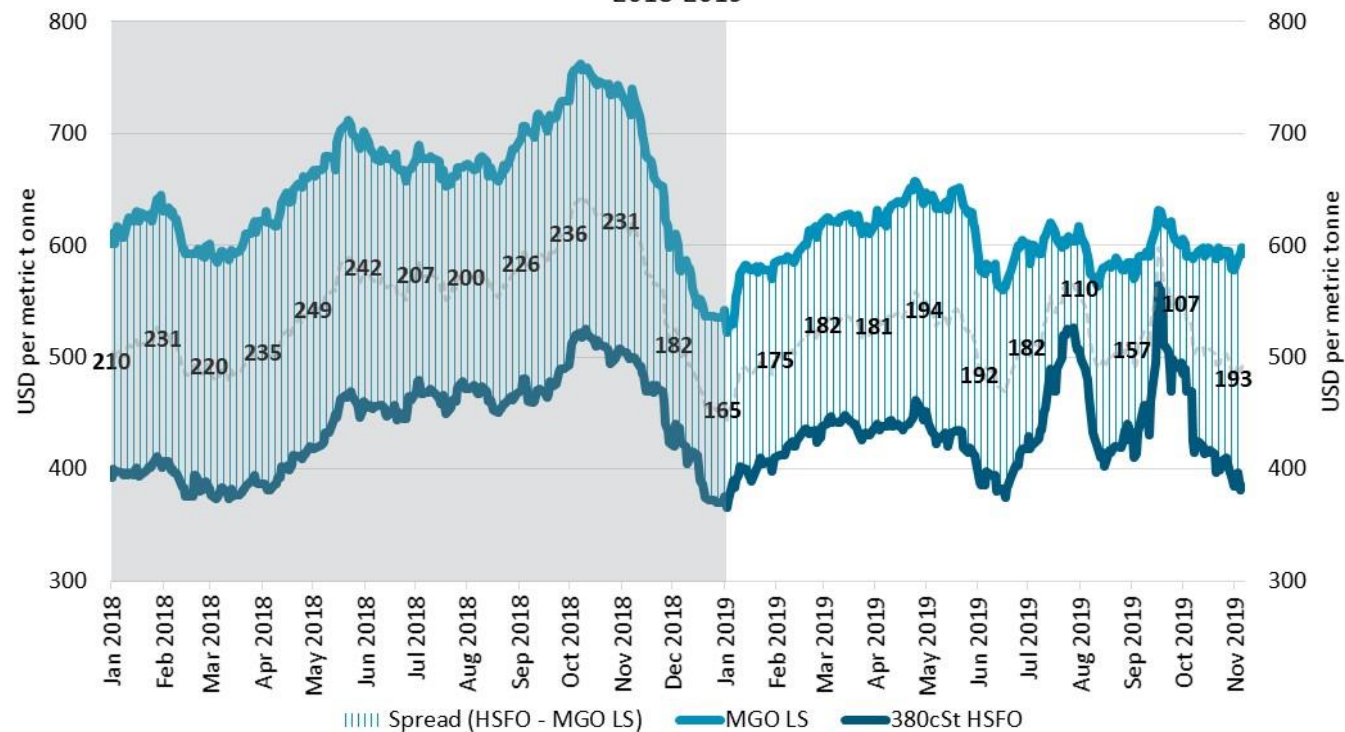
Containership fleet growth



127 million lighting set

IMO 2020 – a risk to manage

Hong Kong bunker fuel prices
2018-2019



Source: BIMCO, Marine Bunker Exchange (MABUX)

IMO2020 Sulphur Cap scenarios

	Convergence 	Status quo 	Disruption
Scenario	Minor widening of spread with fuel oil prices remaining steady. Smooth transition.	HSFO price declines significantly and MGO price increases initially but tapers off as production starts to match demand. Bumpy transition.	Massive dive in HSFO price and MGO price is hiked up due to non-availability. Spread widens to a level above HSFO price. Rough transition.
Spread (HSFO - MGO)	0 - 100 USD per metric tonne	100 - 320 USD per metric tonne	>320 USD per metric tonne
Availability	Widely available and able to match demand.	Outages in minor ports and significant premiums required by bunker suppliers.	Massive non-availability and disruptions of compliant fuels. Heavy price premiums. Frequent cases of FONAR.
Opportunities and challenges	The commercial markets all benefit from the soft transition. Owners opting for compliant fuels might be in a better position due to a lower spread.	Scrubber-fitted ships have an advantage. Owners must manage and bunker their ships in ports with high availability.	Scrubber-fitted ships will have a massive advantage. Owners operating on compliant fuels will incur significant losses due to higher fuel costs.
Market implications	The industry is adequately prepared and can easily cushion against the minor impact. Potential losses are of minor significance. Short-term disruption.	Pressured operating margins for companies operating on compliant fuels. Medium-term disruption of ordinary market conditions.	Potential bankruptcies or consolidation of companies in distress. Long-term disruption of ordinary market conditions, where cost-cutting will remain key.

Basic supply-demand is still KING

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The fundamental balance will continue to set the course for shipping markets, this is what to watch out for and what shipowners can influence through their ordering.

Thank you!

Contact BIMCO at
www.bimco.org

BIMCO's vision: To be the chosen partner to provide leadership to the global shipping industry