Singapore Shipping Forum 2016: Shipping in Turbulent Times

Press Report - Marine Money Asia

Singapore Maritime Week

On Thursday 21st April, Marine Money attended the Singapore Shipping Forum 2016 – Shipping in Turbulent Times, jointly organised by BNP Paribas and accounting firm Moore Stephens LLP. The well attended forum attracted over 150 people from the Singapore maritime community and some senior speakers who discussed pressing issues affecting the shipping markets during these "turbulent times." The forum was held as part of Singapore Maritime Week 2016, which saw numerous industry events being held in Singapore in celebration and commemoration of Singapore's vibrant maritime cluster.

After the welcome address by President of the Singapore Shipping Association (SSA) Esben Poulsson, the first presentation was '2016: The Future of Traditional Shipping; Time to Invest or Disinvest in the Shipping Markets?' and was delivered by Chairman and Senior Partner of Via Mar AS, Mr. Robert Stenvik. Taking each shipping sector in turn, Mr. Stevnik pointed to 2016 as the lowest year of the market and expects Capesize and Supramax asset prices to begin to rise as of 2017. He advised 2016 as possibly a good time to invest but warned that bulk carrier owners will have to face a negative cashflow for the next 18 months although asset price increases will eventually more than cover cashflow losses. On containers, Mr. Stevnik said that the EU-Asia trade routes are expected to see a 7-8% demand growth until 2020 and slow steaming will reduce supply levels. He advised small containers are a good bet at the moment, whereas if you are already owning large container vessels, now would be the time to sell. On tankers, Chinese imports will continue to rise by 3.5% until 2019 as a result of stock building and increased refining capacity. However, despite the solid demand in the market, tanker vessel supply in the VLCC and product tanker segments will see supply outgrowing demand creating downward market pressures.

Looking at the LPG markets, Mr. Stevnik pointed to a massive 35.8% VLGC orderbook that is expected to severely over supply the market that is only expected to witness a 7% demand increase over the next few years, an even bigger 38.1% orderbook increase in the mid-size LPG segment which will likely see the market crash and pull freight rates substantially lower over the coming years while in the small LPG segment demand is expected to grow by 4- 5% over the next couple years, which should be in line with expected supply. Following the market outlook presentation and a few brief cautionary warnings made by Mr. Venkatraman Sheshashayee, CEO of Miclyn Express Offshore, on the current state and future expectations of the ailing offshore industry, next to take the stage was the highly intellectual and charismatic Mr. Yaseen Anwar, former Governor of the State Bank of Pakistan and currently senior advisor to the Industrial and Commercial Bank of China Limited (ICBC). Mr. Anwar's presentation focused on China's 'One Belt, One Road' initiative to revive the ancient Silk Road trade route that connects 56 countries from the Far East to Central Asia, Middle East and Europe, with a focus on how the project will impact the shipping industry.

Mr. Anwar began by explaining that in January 2016 there was $2.2 trillion in global capital destruction while February this year has witnessed $1 trillion capital destruction worldwide pointing to extreme instability in the markets and eroding public trust in the financial system. Low oil prices, negative interest rates in the EU and Japan, diverging monetary policies in major economies are all factors threatening the global economy and creating uncertainty in global markets. China's 'One Belt, One Road' ('OBOR') initiative attempts to shine some optimism by investing over $1.8 trillion over the long-term to reform existing global supply chains and establish OBOR as an engine of global growth. While 65% of the global economy currently comprises of OECD countries, by 2060 the OBOR initiative aims to reverse that number so as China and India will contribute 65% to the global economy and the ASEAN economies combined to be the 4th largest economy by 2050.

The OBOR initiative, according to Mr. Anwar, aims to boost infrastructure projects in Asia by exporting China's excess infrastructure capacity to at least 43 nations that rank China as their number one export partner. Concluding, Mr. Anwar mentioned connectivity, trade, financial integration, political integration and people-to-people integration as the major attributes of the OBOR project and stated that he expects the project to increase the prosperity and connectivity in the region and the world whilst eliminating poverty. Mr. Anwar's presentation was echoed by Mr. John D'Ancona, Director and Dry Analyst of Clarksons Platou Asia, in his presentation that followed adding that a lot of the markets that the OBOR will provide for will be additional capacity and not detract from the prosperity of other major economies, in other words, the pie will grow. Mr. D'Ancona also referred to China's excess steel capacity that needs to be exported and showed that last year Africa accounted for 32% of Chinese steel exports, the Middle East accounted for 28% and South America for 46%, proving that much of China's exports are heading to developing or under-developed economies rather than Western markets. The conference closed with all the previous presenters in a panel, also joined by Co-Head of Transportation Sector, Investment Banking Asia Pacific at BNP Paribas, Mr. Arnold Wu, Eurofin Group CEO, Mr. Anthony Zolotas, and Mr. Mick Aw, Senior Partner at Moore Stephens LLP, who discussed questions put to the audience by Poll Master, Mr. Dimitris Belbas of EMS Partners, allowing the audience to electronically vote their answer of choice in multiple choice questions. Below are the results, as voted for by the audience, of some of their more interesting questions:

* Please note that audience could pick more than one answers

Which sector has hit rock bottom?
Dry Bulk – 51% Offshore – 29%
Container – 10% Tankers – 4%
All above likely to decline further – 24%

Where would you invest $200 million today?
Shares/Debt – 447% Dry Bulk – 41%
Tankers – 25% Container – 6%
Offshore – 6%

RMB will become one of the world's dominant trading currencies:
Not in foreseeable future – 47%
Very near future – 29%
Already one – 15%
Never – 9%