



Capital Link Shipping Weekly Markets Report



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IN THE NEWS

It's all good...just follow the money

With the arrival of cold weather in New York comes the shipping event season, with shipping people moving inside in order to warm up to views and insights of leading participants- whether they be deal makers, principals, and analysts. Two events, Marine Money's 15th Annual Ship Finance Forum (a one day affair typically bringing in financiers and, sometimes, investors), and a session hosted by a new organization, the New York Maritime Consortium (which includes an amalgam of arbitrators, shipbrokers, financiers and a slew of lawyers), both offered insights, as well as great networking- a feature of all the good shipping events.

The Marine Money keynote speaker, Wilbur Ross- was touting the virtues of fuel efficient eco-VLCCs, not surprising since one of his funds, designed to profit from recovery in the transportation arena, has recently ordered from Daewoo, in conjunction with a Norwegian owner. Speaking shortly afterwards on a mid morning panel, Scorpio's Robert Bugbee, said. "Ahah, Wilbur <Ross> has finally capitulated on the Eco-ship argument."

Though not explicitly mentioned, the sniff of coming IPOs (rather than simply follow-ons for existing companies) was in the air, at least from my seat up in the front, within earshot of Bugbee even as he lamented the lack of investors at the event (... "there are more journalists here than investors..." were his exact words). Much of what was discussed is about energy. Indeed, one time J. Aron oil spreads expert, now independent Andrew Lipow, speaking after Mr. Ross (whose Diamond S IPO was sadly withdrawn earlier this year), stressed a whole group of changing trade patterns for U.S. and Canadian oil. He voiced an opinion that relaxed oil export restrictions could bode negatively for the U.S. Jones Act vessels- which would be caught out (according to this viewpoint) as coastal refineries take imports in foreign vessels, and as producers in Eagle Ford (and perhaps Bakken- though moves are longer) export their outputs in non-U.S. vessels.

On the subsequent panel- which included the aforementioned Scorpio man, shipping prospects were explicitly tied to energy market developments. Disappointingly, the panel's one Jones Act owner, Charles Fabrikant, of Seacor, was unable to comment about the Jones Act- facing a "gag order from company counsel"- very strange. However, the vacuum was readily filled by other panel members. Blank Rome lawyer Matt Thomas, based in Washington DC, told the audience that: "We are on a glide path towards crude oil exports." Nevertheless, Seacor (very savvy on matters inside the Beltway) and Kinder Morgan (not in attendance but always top of mind when the chatter turns to coastwise shipping) are not exactly rushing to sell their U.S. blue-water holdings, so we can infer that the Jones Act will be doing just fine, thank you, for quite a while.

Overall, this panel, which included Art Regan- from Principal Maritime (a Suezmax specialist formed by the Apollo group which had also sought to offer shares to the public prior to the present uptick) agreed that changes in oil trading patterns, were good for shipping. Falling oil prices, on everyone's mind- had so far been helpful in that spreads had contracted- as noted by Mr. Lipow. LNG and LPG segment, represented on the panel by Hoegh LNG's

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Richard Tyrrell and Dorian LPG's Ted Young, respectively, both had good outlooks. Mr. Tyrrell noted that U.S. gas is the key to international LNG markets," and Mr. Young talked about "...more monetizable profit streams than there've ever been,," in his segment. Chemicals, some of which come out of gas processing, were looking good- with Chembulk's Jack Noonan noting that U.S. Gulf to Asia moves bring about more ton miles than moves from the Middle East, and that increasingly supplies were boding well for more of such movements. It's all good.

Later in the day, owners who had timed the tanker market correctly-, Double Hull Tankers, and Tanker Investments Limited (an offshoot of Teekay Corp) revealed some of their now prescient looking analytics. A presentation by Pareto Securities provided insights into success of Navig8 (privately held, for now, but highly visible at conferences)- which also appears to have made an optimal entry point into a few of the stronger sectors.

Though Oslo-based R.S. Platou was a conference co-organizer and Clarksons shipping analyst Omar Nokta appeared on a drybulk panel, nothing during the day portended the news that emerged the next day- that Clarksons and Platou might be pursuing a tie-up. Likewise, which attendees at a mid-day breakout session on offshore oil services could have predicted that Halliburton and Baker Hughes are going to be getting together- as they team up to fight OPEC (well, sort of)? Amazing how my ill-timed flirtation with BHI might actually be OK now! In spite of Mr. Nokta's bullish views and Bugbee's observation- earlier in the day that low commodity prices are good for getting things moving, drybulk was not experiencing much love, or much mention. Sophocles Zoullas, representing Eagle Bulk (listed again follow its re-organization, albeit controlled by a group of institutional shareholders), explained the company's platform in a pitch at investors (who had now filled up more of the seats in the room).

The Maritime Consortium event- actually the day after Marine Money, will be described when there is more time- although, to be honest, with the energy related shipping markets really on a roll, there may not be too many slow news days for quite awhile. Speaking of consortia, whether Eagle will join the Starbulk "consortium" (controlled by the same institutional shareholder with deep roots into the business) remains a subject of extreme speculation, and, for anybody who is interested, more wagers to be settled in the currencies of Old Pulteney or Bearboat. Interestingly, after his speech, Eagle Bulk's Mr. Zoullas did take at least one question along the lines of "When will we see a 500 ship drybulk company?" There are no real answers yet, though one top shipping banker that I approached on this, over drinks, whispered back "It simple...really, just follow the money".