

D'Amico expects volatility in dry bulk markets in the coming quarters

Group's dry bulk unit, which sees threats to a market recovery from global trade wars, says the uncertainty will lead to volatility

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More participants sought for Medi Supramax pool as D'Amico sees more volatility in the markets



THE SUPRAMAX MEDI ROMA IS PART OF D'AMICO'S OWNED FLEET.

D'AMICO is expecting volatility in the dry bulk markets in the coming quarters due to uncertainty related to ongoing global trade battles combined with lower demand for some commodities.

While the capesize market is strong and will continue to be so, there will be weakness in the coal market, especially for imports from China, as it places more emphasis on hydro-power generation, d'Amico Group's dry bulk unit chief operating officer Benjamin Wilkes told Lloyd's List in an interview.

However, demand for coal in Southeast Asia and India would hold firm, which would help bulker demand, he said.

For grains, the picture was more uncertain, due to the trade wars between the US, China, and to a lesser extent Europe, said Mr Wilkes, who is based in Singapore.

"A lot of the grain houses we talk to are second-guessing what will happen," he said. "And that creates volatility."

Earlier in the year, the US imposed tariffs on a number of steel and aluminium products from China, in an attempt to boost jobs at home. In retaliation, China imposed duties on various US bulk commodities, notably coal and soyabeans.

Meanwhile, demand growth for minor bulks is steady, as wood pellets replace coal in Europe, and new paper mills in Brazil create employment for open hatch box-shaped handysizes, Mr Wilkes said.

“China’s One Belt, One Road will see higher general cargo trading into next year, as the trade war will stiffen its resolve to strengthen” the initiative, he continued.

However, supramaxes, which are mainly used in minor bulk transportation, have been on a downward trend over the past weeks due to lower steel and nickel ore movements.

According to the Baltic Exchange, average weighted time charter earnings for a 58,000 dwt supramax have fallen to \$11,384 per day at the close on Tuesday from the year’s high of \$12,599 per day on March 22.

D’Amico said last week that the Medi Supra Pool which it manages outperformed the Baltic benchmark by an average of about \$500 per day in the first six months of the year.

The pool has four participants in addition to d’Amico, with 26 ships in total.

It is seeking more participants, with a reduced lock-in period of three-four months from the initial one-year period, said Mr Wilkes.

According to the dry bulk unit’s chief executive Luciano Bonaso, it hopes to have 40 vessels operating in the pool.

“This is a number which will provide us the critical mass in order to attain correct market coverage and efficiency from what we expect to be a volatile market in the coming 18-24 months,” he said in a statement.

“Trade wars, environmental regulation, mining issues, and unpredictable weather patterns will all impact and change the market dynamics as we head into the next decade. To better face the future, we are today working closely with a few like-minded companies with whom we can pool revenue and exchange ideas on markets, regulations and investments,” he said, without elaborating.