



Short Sea



Short Sea Market Report

01 January 2016

Weekly Commentary

As is always the case at this time of year trading is so significantly disrupted by the Christmas and New Year holidays that it's impossible to consider as 'normal' conditions and consequently pointless trying to form any serious conclusions based on the last two weeks activity. Generally the year has ended quite flat with the greater pressure ultimately falling on tonnage and as it stands little to suggest that demand is about to pick up dramatically in the short term.

In many ways 2015 has been an unusual year in the context of a market that rarely deviates from a broadly seasonal pattern. Q1 started strongly and managed to maintain the momentum throughout. It's probably fair to say the market's performance through this period was much better than might have been expected and rates rose steadily into March which in turn started to create some fairly bullish sentiment and optimism moving into Q2.

In reality the opposite was true. The Easter holidays fell right at the beginning of April and proved to represent a defined full stop in the cycle after which the momentum was lost and the market then spent pretty much the rest of the year struggling to regain it. Instead of a more gradual, steady approach to the summer the pattern was noticeably downward right the way through to bottoming out around the end of July which is normally the annual low point.

Q3 wasn't especially unusual in that July and August tend to be the quietest months with the summer holidays always making it a flat period. The surprise this year has been the market's failure to recover or re-build any momentum which is a process that would normally begin by September and coincide with the new harvest and general return work. Even more surprising has been that by well into Q4, normally the strongest part of the year, there was little sign of improvement and the market continually struggled to raise itself above flat.

It wasn't until late November/early December that demand finally picked up sufficiently to build some upward pressure and rates increased enough to notice but it felt like it was all too little too late and there simply wasn't enough time left for a sustained change in direction before Christmas and the year-end brought proceedings to a halt once again. The other main talking point of 2015 has been the price of fuel. The negative predictions for the impact of SECA all proved completely unfounded and gasoil closed the year at around USD 300 per mton, the lowest for at least a decade.

In the end everyone seemed happy to put 2015 behind them and wait for 2016 to unfold as it will. There's no sense that any major change is likely over the next couple of weeks and at this stage the outlook appears largely uncertain. As ever it will be a slow start to the New Year and will certainly take a couple of weeks trading before any pattern can be assessed or firm opinions formed.

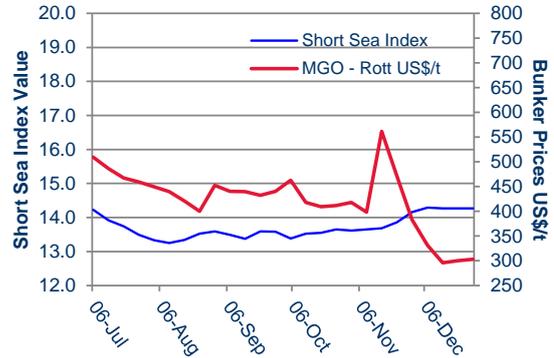
Hull City Update

Hull City's Christmas has been much like their season so far, patchy. An important and impressive 3-0 victory over Burnley at home on Boxing Day was followed by a hugely disappointing 1-0 defeat to Preston North End away on Monday. Tomorrow sees them take on QPR away and it's live on Sky which is never a good omen! If they don't find some consistency they're going to lose touch with the leaders. Still a long way to go.

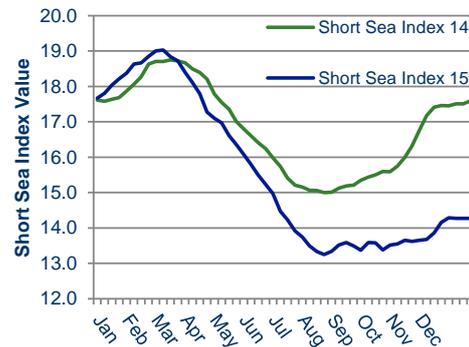
Wishing you all a very happy, healthy and prosperous 2016.

The Short Sea Index is based on the average freight rates for five routes, ECUK/N. Spain, ECUK/ARAG, Lower Baltic/ARAG, French Bay/ECUK and WCUK/East Med in 3000/4000 mts deadweight and bunker prices in USD basis MGO delivery ARAG range

Short Sea Index vs Bunkers - 6 Month Graph



Short Sea Index vs 2014 - 2015



Short Sea Rate Assessments (EUR/mt)

Bunkers & Exchange Rates			01-Jan
Bunkers	Rotterdam Bunkers (US\$/t)	380 cst	134.00
	Rotterdam Bunkers (US\$/t)	MGO	303.00
Currencies	\$ - Euro		0.92
	\$ - GBP		0.67
	GBP - Euro		1.36

Contacts

Mark Harrison, Mark Collins
H.C. Shipping & Chartering Ltd, Hull
 Tel : +44 (0)1482 586760
 Fax : +44 (0)1482 590759
 Email : chartering@hcshipping.com
 Web : www.hcshipping.com

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