HC Shipping & Chartering Ltd

Short Sea

Short Sea Market Report | **Thursday, December 31, 2020**

Weekly Commentary

Steady. As always there’s seldom anything meaningful to be gleaned from the final week of the year because trading is extremely limited by virtue of the holidays. QED. The only real focus was on next week and specifically dates immediately after the holidays because otherwise the consensus on both sides was simply to wait and see. There was clearly an uptick in the availability of spot tonnage and Owners were generally amenable when it came to covering their closest open positions. Rates were broadly unchanged if not slightly softer but that’s in the context of minimal activity overall and therefore not properly representative of ‘normal’ conditions.

Looking back, 2020 started normally enough, a fairly standard Q4-Q1 transition with the market typically losing momentum over the holidays and then struggling to maintain the status quo thereafter. A much vaunted hypothesis that the introduction of new IMO2020 Sulphur Regulations would generate a hike in bunker prices, and by extension freight rates, did not materialise – in fact the opposite was true with prices falling pretty much week on week. By the end of January reports of a new novel virus originating in Wuhan Provence, China were starting to make the headlines but at that stage it was too distant and unknown to cause any major concern.

By the end of February it was apparent that Covid-19 was a serious global issue and stock markets and oil prices began falling sharply whilst anxiety and uncertainty surged in the opposite direction. On 11th March the W.H.O declared a pandemic, which at that point was already a given, nevertheless the world had officially moved into unchartered waters, Initially this created a short spike in demand, both to fulfil live contracts and a rush to stockpile/offload before lockdown restrictions started to bite but that was only ever going to be a temporary, artificial stimulus and by the end of March rates were already softening.

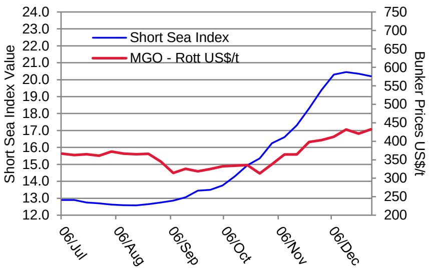
Cue Q2 (see what I did there?) Unprecedented has to be a contender for the most used word in 2020 but surreal would also make the shortlist. Remote working, closed shops and bars, empty streets and cities, skies free of vapour trails were suddenly (and to a large extent still are) the new normal. Confidence dissolved and, although the truly essential requirement of moving goods ensured that ports kept operating and vessels kept trading, the market nosedived from April through to June before it ran out of road and continued to drag along the bottom for majority of Q3.

In any market dynamic a sustained negative scenario means a recovery eventually becomes inevitable but Covid-19 created a precarious and fragile landscape and, regardless of historic precedents, it was by no means assured this year. Rates started to show signs of improvement by the end of September and the upturn, when it finally came, through 2H October and the rest of Q4, was significant by any measure and exceeded even the most optimistic expectations. Prolonged uncertainty over the UK’s trading relationship with the EU post 31st December also amplified the surge in demand and an increased urgency to move cargo ahead of the deadline and that certainly helped to underpin the market’s comparative strength right up to the Christmas holidays.

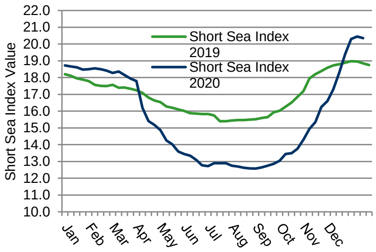
So that was 2020, a tough, challenging and unprecedented year that will be remembered in the history books for the global pandemic of a virus called Covid-19 which has dramatically changed our lives and the way we live. The year ends with hope on the horizon as vaccines are already being rolled out with the aim of controlling this disease and returning some degree of normality in 2021. The market has, as always, lost momentum over the holidays and will take time to readjust before it finds its feet again in January. Encouragingly it recovered to end 2020 at a relatively high level but expectations for next year are cautious and forward opinion will evolve around week to week performance. The outlook remains uncertain but hopeful.

Wishing you all a happy, healthy and prosperous New Year – in the words of John Lennon “let’s hope it’s a good one, without any fear”

Short Sea Index vs Bunkers - 6 Month Graph



Short Sea Index 2019 vs 2020



Short Sea Rate Assessments (EUR/mt)

Bunkers & Exchange Rates			**31-Dec**
Bunkers	Rotterdam Bunkers (US$/t)	380 cst	**304.00**
	Rotterdam Bunkers (US$/t)	MGO	**432.50**
Currencies	EUR - USD		**1.23**
	GBP - USD		**1.36**
	GBP - EUR		**1.11**

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

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