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## Sea freight market set to remain volatile - industry

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Reuter quoted ship industry officials said freight rates are expected to remain volatile in the coming months with demand for goods still being driven by Chinese imports of raw materials.

According to the report, the Baltic Exchange main sea freight index, which tracks rates to ship dry commodities hit more than an eight month high in June but has remained erratic since then.

Cheaper imports of iron ore the primary material in the manufacture of steel has spurred demand in China leading to heavy congestion at the country's ports. The congestion has tightened the supply of Capesize vessels typically hauling 150,000 tonne cargoes such as iron ore which has driven freight rate gains.

Mr Derek Langston a director with Simpson Spence & Young Consultancy and Research said "In the near term we see it being affected by congestion: this is going to be a volatile market. He estimated that 80 Capesize vessels were waiting off China's coast down from 88 two weeks ago out of a total of world Capesize fleet of 860 vessels.

Mr Langston told reporters on the sidelines of a dry bulk freight conference in London that "You may well see a decrease in iron ore imports into China."

Mr Tom Cutler, analyst and trader with ship company SwissMarine Services said port congestion was a double edged sword. He said that whilst the queues are building, whilst those ships are sitting in port then clearly it is taking capacity out it's a major boost to the market. 'But that means when the ships come out then suddenly you are awash with tonnage coming back.

Mr Simon Young executive deputy director with COSCO R&D part of China COSCO group the world's largest dry bulk ship operator "There is too much speculation and too many financial institutions that get involved in this sector."

Mr Peter Kerr-Dineen joint chairman of shipbroker Howe Robinson said the dynamics of the freight market had changed. He said that commodities are in excess supply now that means there is going to be much more price volatility in terms of commodities."

Over 80% of the world's traded goods by volume are transported by sea with many retaining hopes of world economic recovery through resurgence in freight activity. But an oversupply of vessels overhanging the market is expected to take its toll.

(Sourced from Reuter)

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