

SUNDAY SPOTLIGHT

27 MAY 2012, ISSUE 62

SEAINTEL MARITIME ANALYSIS

Indicators from the week 21 May – 27 May 2012



Global and tradelane reliability across 52 carriers. **New measurements for performance in April 2012.** See page 16 for details.

SPOT VS. CONTRACT RATE DEVELOPMENT

High correlation between spot and contract rates persists.
Contract rates are seen to be peaking.

SeaIntel have previously developed a model showing that the spot rates are a strong leading indicator for the contract rates in the Asia-Europe market, as measured by Container Trade Statistics (CTS). This week we test whether the model remains valid in the wake of the strong rate increases obtained in 2012. Furthermore, we analyze whether the model is equally applicable in the Transpacific head haul trade.

A significant amount of cargo is controlled through contractual relationships between shippers and carriers, and not directly on the spot market. We will therefore place particular emphasis on analyzing to which extent the spot market can be seen to reflect developments in the contract markets.

Overall, we find that spot rates continue to be the “tip of the spear” in terms of showing early market developments, whereas these developments are then gradually worked into the contracts with a time lag. We also find that spot rates are more volatile than the developments in the contract rates, with a tendency to over-shoot at turning points in the market.

Cabotage protection

The Jones Act was originally introduced to protect US shipping interests. This week illustrated how costly such protectionism has become. American Feeder Lines gave up ordering US-built container vessels, after having been quoted 100 million USD for each 1300 TEU vessel – at a delivery rate of only 3 vessels per year, with a lead time of 3 years for the first vessel. This must surely be a case to study for the South African government, which is considering the introduction of cabotage controls.

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