

Stars are good for clean markets but they need help from dirty cousin, says Fiori

Global economic growth, export-oriented refining capacity and modest fleet gains bode well for product carriers according to D'Amico chief, but they could use some extra help from the ailing crude sector

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The correlation between crude and products can be a drag for both markets



STARS may be aligned for a swift recovery in product carriers, but it would still need help from its ailing sibling, the crude oil tanker market, according to comments made to Lloyd's List by Marco Fiori, chief executive of D'Amico International Shipping and a seasoned industry veteran.

A bad crude oil tanker market is a drag on product carriers because of the correlation between the two, argues Mr Fiori. He offers as evidence the "poaching effect" of deploying long range tankers in the clean market and the use of newbuilding suezmax tankers to move products from Asia to Europe on their maiden voyages.

All these vessels, which would normally trade as crude oil tankers, add to an already large fleet according to Mr Fiori. "A suezmax can substitute for several MRs" he said.

It's all about the incremental gain says Mr Fiori. "If our spot fleet earns an extra \$1,000 per day we can generate \$10m in extra cash flow for the remainder of 2018".

Mr Fiori has been an advocate for a market rebound for several months, even as the market has remained soft.

On the plus side, he sees an increase in global economic activity, new export-oriented refining capacity in the Middle-East and one of the lowest projected fleet expansions (DIS pegs net fleet growth of 1.9% in 2018 and 1.7% in 2019).

But Mr Fiori admits the two main culprits of the current soft market are “Inventories that are still being drawn and too many ships on the water”.

The company posted a loss of \$3.6m for the first quarter of 2018, which was wider than the \$1.8m loss posted a year ago.

DIS, which is listed on Borsa Italiana in Milan, has relied on a mixture of spot voyages and time charters to mitigate the effects of a negative market.

Its spot vessels earned an average TCE of \$12,726 during the first quarter, but thanks to its 32% period coverage, the fleet average was \$13,446.

DIS controls a fleet of 55.5 vessels, including 26 owned vessels and four chartered under on bareboat terms with a purchase obligation. The remaining 25.5 vessels are time chartered-in vessels.