

## Shipping - Global

## Key takeaways from Red Sea disruption call with COSCO Shipping Holdings

Industry Overview

## Key takeaways from Red Sea call with COSCO

We hosted one of the world's largest container shipping liners – COSCO – to discuss the Red Sea disruptions and industry outlook on container shipping for 2024. COSCO is largely avoiding the Red Sea for now given the security situation and would only be prepared to return to the Red Sea if other major liners also return. COSCO sees spot rate support ahead given strong load factors and thinks spot rates might defy the post-Chinese New Year ("CNY") lull and stay higher-for-longer with some customers delaying shipments. COSCO is seeing some delayed vessel returns but not much evidence of box shortages or port congestion for now.

## COSCO is largely avoiding the Red Sea for now

COSCO has diverted all of its Asia-Europe services via the Cape of Good Hope. COSCO is not prepared to do any negotiation with the Houthis to return to the Red Sea and their top priority is the safety of their goods, vessels and crew. COSCO might be prepared to consider returning to the Red Sea if other major liners also return.

## Spot rate tailwinds from robust pre-CNY demand

COSCO sees strong demand right now with load factors on European and US routes above 98%. Spot rates look unlikely to fall in the coming weeks given tightening supply in the coming weeks ahead of the CNY. COSCO believes some customers might be withholding cargos until after CNY which might prevent the typical post-CNY seasonal decline in freight rates this year. And COSCO doesn't have much update for Europe annual contracts for now with negotiations delayed by Red Sea disruptions but hopes to have more of an update after the CNY.

## Delayed ships but no box shortages or port congestion yet

Diverting to the Cape is adding an extra 8-10 days of traveling time to Europe one-way sailings, while COSCO has also had to divert some services via the Cape to the US East Coast given Panama Canal drought issues. COSCO is seeing supply on the Europe route tightening for now given delays to vessels returning, although it is not seeing much evidence of box shortages or port congestion yet. COSCO has sped up to an average of 15-16 knots in response to the tighter market.

17 January 2024

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CNY – Chinese New Year

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Timestamp: 17 January 2024 03:29AM EST

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