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The roaring twenties and volatility

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I've recently started prepping for a panel I will be moderating later this month at the Monaco Yacht Club, and I could do with your help.

The session is entitled The Big Issues with the preamble stating: "The days of simple supply/demand forecasting are over. Geopolitics and climate disruption have made forecasts near impossible."

The panel, comprising two well-known shipowners, a shipmanager and a top analyst, has been tasked with identifying today's and tomorrow's black and grey swans and what they mean for the seaborne trades.

All of which has got me thinking a lot about disruption, volatility and how the shipping industry is so adept at handling the unknown.

I started covering the shipping industry back in the year 2000 hence why in so many *Splash* reports you might note lines such as 'the largest this century' type schtick.

I have come to the firm opinion that the 2020s are by some considerable margin the most disruptive for shipping since I started covering the industry – covid, the Red Sea, Ukraine, and the Panama Canal spring readily to mind as story arcs that have led to many a late night's reporting.



It's not just me who reckons that this decade has been the less roaring, more terrifying twenties.

In an excellent recent presentation given in Singapore, Dr Adam Kent, who heads up UK consultancy Maritime Strategies International (MSI), discussed the accumulating black swans in recent years and their links to growing volatility – encapsulated in this great chart.

Shipping Driven by Events Leading to Volatility

A series of events have increased volatility in shipping markets in recent years



Black swan events increase volatility, Kent argued, noting that the last five years have been the most volatile of the century to date.

Research carried out earlier this year by Jonathan Chappell, a shipping analyst at Evercore ISI, an investment bank, also highlighted the extreme volatility seen across five shipping segments.

“Shipping markets are known for being notoriously volatile given low barriers to entry, a long capacity tail of small owners, macro sensitivity, and exposure to geopolitics. But the roller coaster of spot rate moves over the last few years has embedded an entirely new magnitude of peak-to-trough (and back) moves into the projection equation,” Chappell wrote in a note to clients.

Speaking with *Splash*, Chappell commented: “With geopolitics, extreme weather conditions, and an uncertain macro backdrop continuing to play a greater role in shipping demand and trading routes, we would expect the already robust volatility across bulk shipping segments to remain elevated for the foreseeable future.”

A glance at the ClarkSea Index also backs up what a rollercoaster it has been for earnings across all sectors this decade. The weighted index, managed by Clarksons Research, covers all shipping sectors and has spiked repeatedly as many segments such as containers and car carriers have hit record highs in recent years.

ClarkSea Index

\$25,623



I'd be keen to hear from readers what their take is – are the 2020s the most disruptive that you recall in your shipping careers? Has the industry navigated well all that has been thrown its way over the last few years?

Related to all of this, carried below is a chart from a recent shipowner survey conducted by the International Chamber of Shipping identifying the greatest worries that keep top owners up at night.

Later this month, we'll be bringing readers reports on who said what at the Monaco Maritime CEO Forum.

Maritime leaders' perception of risk against shipping's ability to address this risk 2023-2024



Source: International Chamber of Shipping