

Instances iron case study

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In tooth Instances Iron ore vessel shipments remained steady while the average spot rates sharply decreased. 2. What factors drive average daily hire rates? Daily hire rates are determined by supply and demand. For example, when demand goes up, owners' are likely to keep vessels as long as possible. Consequently, daily hire rates increase.

Conversely, when demand goes down, owners' are likely to scrap the vessels and daily hire rates decrease. Additionally, as ships got bigger, faster, and more fuel efficient, fewer ships were needed to carry the same amount of cargo, and hush, supply goes down.

However, Increases In size and efficiency offered by the newer ships offers a 15% premium In dally hire rates as opposed to ships over 25 years old which carry a 35% discount. What factors drive average daily spot hire rates? Do you expect daily spot hire rates to increase or decrease next year? (10 marks) Answer: First of all, as given in the above case the ocean carriers Incorporation owned and operated capsized bulk carriers, which were used for the purpose of carrying cargoes.

Therefore some important factors which drive daily spot hire rates can be: *

Economy of the world * Availability of characters in market.

* Alteration In trade patterns * The demand in iron ore shipments. * Length of the contract * Quantity and what is to be carried * The places where vessels would be loaded and unloaded. Labor costs * Costs involved * Demand and supply of the shipment services. Secondly, as the case suggests, it is expected that the daily spot hire rates will increase, as the daily hire rate is to grow next year.

Factors such as the number of operating vessels, number of scrapped vessels per year, the age of the ships, the efficiency of ships, and market expectations of supply and demand; consequently, these factors drive average daily hire rates.

Market conditions also drive rates since demand is dependent on the world economy. When the economy is strong, the demand increases, especially for iron ore and coal since it is transported by dry bulk capsize. Changes in trade patterns such as the distance between trading countries also attribute to the demand for charters and average daily hire.