

Market Outlook: Just Where Do We Go From Here?

March 2024



It is challenging to look at the current state of world affairs and see any glimpse of light at the end of the tunnel. Four years have passed since the onset of the global pandemic and we find ourselves operating in very different arenas politically, economically, and socially. It is almost as though we woke up from a dream only to find the patients running the asylum.

War is now in its third year on the European subcontinent and the once fervent resolve of NATO and her allies has given way to basic political grandstanding and now the growing humanitarian crisis in Gaza threatens to propel that region into a broader and even bloodier conflict.

As if that wasn't enough, water shortages in Panama have drastically reduced the number of transits and the senseless attacks by Houthi rebels on merchant vessels transiting the Bab el-Maneb Straits has forced commerce to seek safer passage around Cape of Good Hope extending already strained supply lines between East and West.

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As is generally the case in times of uncertainty, shipping has carried on largely unimpeded by headwinds. The longer ton-mile has put a strain on capacity and freight markets are back to historic highs. A generally small orderbook coupled with the mandate for aging vessels to achieve ever declining emissions targets, the ingredients appear to be in place for a prolonged boom market.

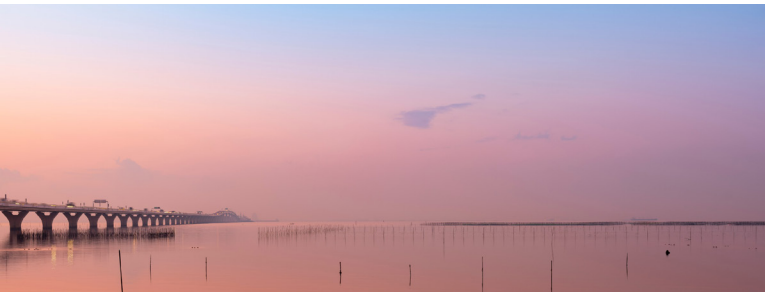
Despite global events, the USA has largely gone unimpacted as the US economy continues to surge. Yet, the US is headed into what is arguably the most important election in nearly a century. Regardless of one's political affiliations, the candidates come with their qualifications and a laundry list of flaws. Thomas Jefferson once said, "We should never judge a president by his age, only by his works." And it was Ronald Reagan who later quipped, "ever since he told me that, I stopped worrying." The age of the candidates is a concern for many voters but, ultimately, it will come down to policies both domestic and foreign.

On the one side, Trump's "America First" platform resonated well in the 2016 election, but his divisiveness turned off many moderate voters in 2020. Today there is a growing fear that a second term as President could end up being Trump's own version of the Cultural Revolution as he gets even with his political adversaries. Embattled in one court case after another, he remains widely popular with his conservative base, but it is not clear where Trump stands on a number of key foreign policy issues as the election approaches.

On the other side, Biden, a career politician, has a pedigree for crossing the aisle to compromise, however, he has also (arguably) found himself on the wrong side of nearly every foreign policy since coming into politics. Ukraine's struggles to fend off Russia's invasion, the crisis in Gaza, a gangster named Barbecue seizing control in Haiti, Houthi Rebels attacking merchant shipping, and the growing political rift with an increasingly more aggressive



Beijing, will be key issues when voters go to the polls. The question remains if the strong US economy will be enough to overshadow the weak foreign policies of the Biden administration.



Besides the obvious Republican versus Democratic, the winner of the upcoming election will ultimately determine US policies both foreign and domestic. It will also have a serious impact on the Nation's environmental and economic policies influencing manufacturing, trade, and the US's critical role in addressing climate change. Will we see tax increase and more stringent environmental regulations, particularly on oil and gas? Or will the policies angle back towards protectionism with increased tariffs and restricted trade? And will the US be more or less engaged in geopolitical matters?

The industry has already begun to assemble in Houston leading into next week's AFPM convention in San Antonio and while the topic of sustainability is expected to dominate the panel discussion, the reality is that Industry will be looking for some indicator as to which direction the political winds will blow in the US's November elections.



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