



Global Recession Risk Spikes as World Powers Down, Markets Slump

By Enda Curran and Michelle Jamrisko (Bloomberg) — A pandemic-driven global recession is becoming more likely by the day as the flow of goods, services and people face ever-increasing restrictions and financial markets slump.

In just the past day or so, President Donald Trump curbed travel to the U.S. from Europe, Italy's government ordered almost every shop to close, India suspended most visas and Ireland partially shut down. Twitter Inc. joined companies telling employees to work at home and the National Basketball Association suspended its season.

While such announcements are aimed at containing the coronavirus, each quarantined city, canceled flight, scrapped sporting event and scuppered conference will hammer demand this quarter and likely longer. An initial consumer rush to stock up on supplies may be followed by months of cautious restraint.

Investors are sounding the alarm that policy makers aren't doing enough, with a deepening rout in global stocks and strains in credit markets compounding the concern over the economic outlook. Stocks were primed for more heavy losses in Asia on Friday after the worst Wall Street session since 1987.

The virus "has disrupted the global economy and has quickly morphed into a dislocation in financial markets too," Morgan Stanley economists led by Chetan Ahya said in a report to clients in which they warned of a "rising risk" of a full-blown global recession.

"The need of the hour is a quick, sizeable response from public health, monetary and fiscal authorities," they said.

Dashed are the hopes from just a few weeks ago that the world economy would track a V-shaped trajectory — a sharp first-quarter slump in growth followed by a second-quarter rebound. Now, the biggest economic shock since the 2008 financial crisis is raising the risk of a worldwide recession, with the debate shifting to how long and deep the slump will be.

China is already on course for what could be its first quarterly contraction in decades. In the U.S., a Bloomberg Economics model suggests a 53% chance that the 11-year expansion will end within a year. The economies of Japan, Germany, France and Italy were already shrinking or stalled before the virus outbreak, and the U.K. is wobbling amid Brexit uncertainty.

As the virus spreads, the threat grows of a phenomenon economists refer to as a feedback loop — a vicious cycle in which a country that starts to recover domestically then suffers diminished demand from abroad as other nations succumb, prolonging the downturn.

At Pacific Investment Management Co., global chief economic adviser Joachim Fels says the U.S. and Europe face the "distinct possibility" of a recession. Former U.S. Treasury Secretary Larry Summers, a paid contributor to Bloomberg News, says the coronavirus may prove to be the most serious crisis of the century so far and puts the odds of a U.S. recession at 80%.

Traditionally more conservative in calling a recession, Wall Street economists are also downgrading their forecasts. Those at Bank of America Corp. on Wednesday cut their global growth forecast for 2020 from 2.8% to 2.2%. That's "in spitting range of a typical global recession" and well below the world's long-term trend of 3.5%, they said.

Counterparts at JPMorgan Chase & Co. told clients this week that the risk of a global recession "has risen materially." To revive their confidence, they said they need to see a fading of the virus, a stronger and more creative response by economic policy makers, and for firms and banks not to slash jobs or lending. They also argued that the tumble in the cost of oil may not necessarily boost growth as much as historically because consumers will pocket the windfall from cheaper fuel prices.

Policy makers are already struggling to keep up, adding to concern that falling demand won't be cushioned enough by stimulus.

The Federal Reserve's emergency interest rate cut of March 3 failed to buoy investor confidence, adding to pressure on its officials to ease monetary policy and perhaps even slash rates to zero when they reconvene next week if not sooner. There are also calls for it to follow the Bank of England in channeling assistance to parts of the economy in most need.

European Central Bank President Christine Lagarde got her chance to act on Thursday after telling regional leaders earlier in the week that their economy risked a shock that echoed the crisis of the last decade if they didn't urgently. The ECB announced what it called a "comprehensive" package that included more quantitative easing and tools to increase liquidity, but disappointed investor calls for interest rates to be cut.

The ECB already has negative rates so there's little room to reduce them, a problem for Bank of Japan Governor Haruhiko Kuroda too.

That leaves fiscal policy, which should be more potent than monetary policy because it can be targeted and delivered in size. But governments are again proving sluggish in getting ahead of the crisis with the majority waiting for their nations to become infected before shifting and then only slowly.

While more governments are rolling out stimulus packages worldwide and are offering more than \$130 billion of virus-relief steps, Trump's administration has been slow crafting a plan after initially questioning the need for one.

German Chancellor Angela Merkel promised to do "whatever is necessary" on Wednesday. While the rhetoric has yet to be matched by a fiscal push in Europe's largest economy, her administration is prepared to abandon its long-standing balanced-budget policy to help finance steps to contain the virus fallout.

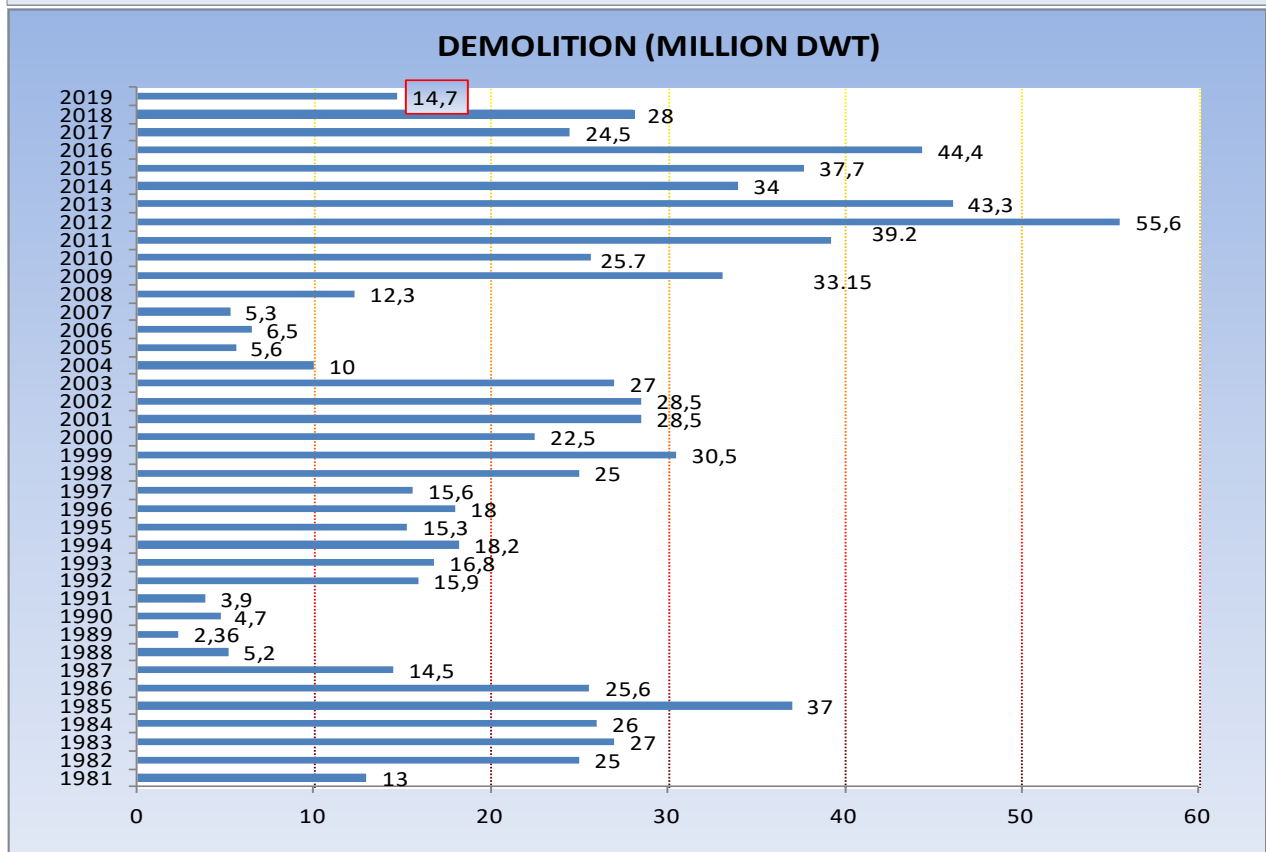
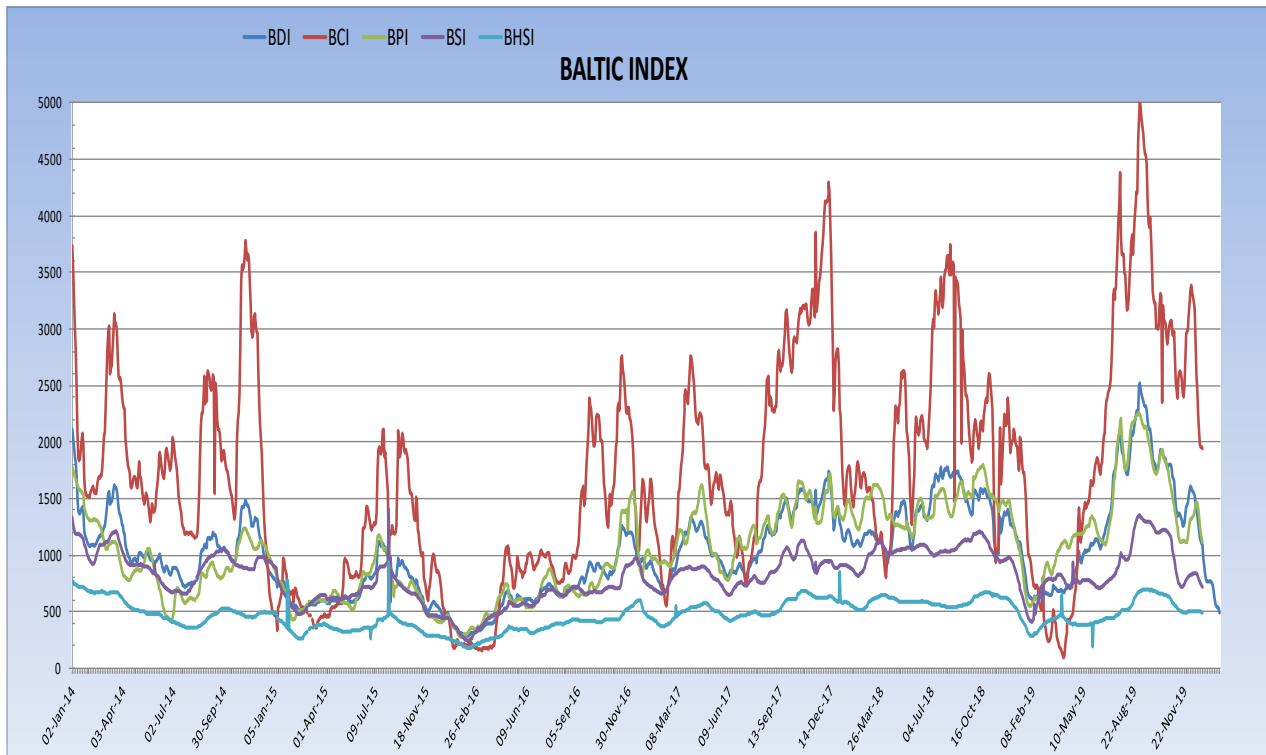
Much of the economic data have yet to bear out the magnitude of the pain to the global economy. In some ways, though, the virus outbreak's impact is more worrisome than even the financial crisis, given that it's hitting a multitude of consumer and business channels and has crushed prospects for a full recovery in some sectors, said Taimur Baig, chief economist at DBS Bank in Singapore.

"This is the opposite transition from the crisis propagation perspective — now we have the services sector basically coming to a standstill worldwide" while the financial system still is relatively healthy, said Baig, a former economist at the International Monetary Fund.

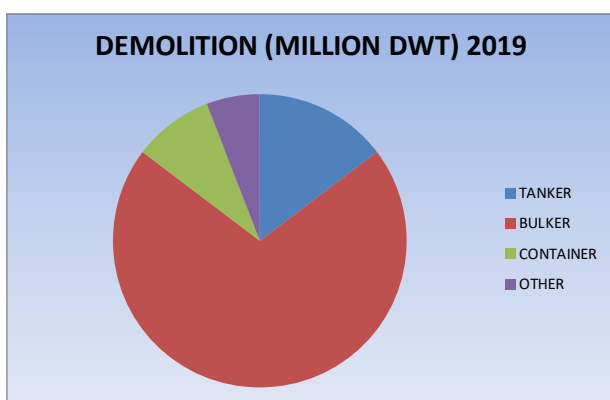
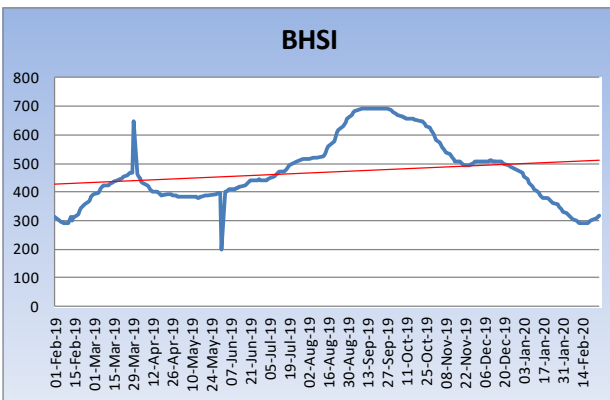
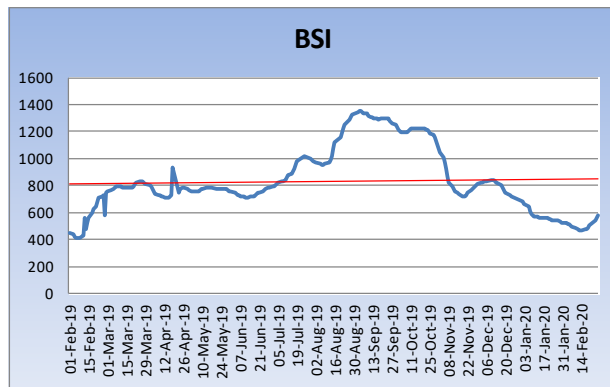
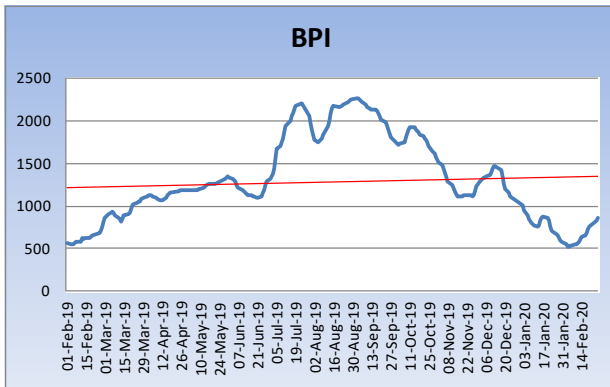
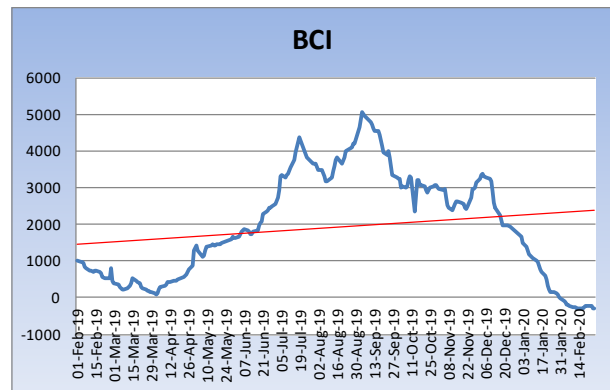
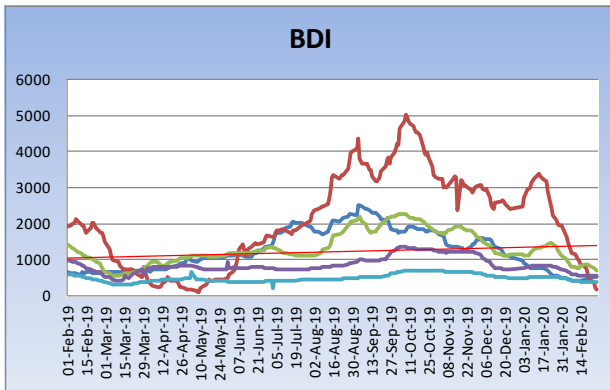
While the crisis of 2008-09 was a "classic financial crisis," this time, "it's not about fixing banks or putting capital in there — it's about saying the pandemic has ended. That's what makes it very uncertain" as the virus has proved so hard to control, he said.

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SALE & PURCHASE							
BULK CARRIER	DWT	BLT	PLACE	M/E	BUYER	\$ Mil	\$/dwt
MEDI HONG KONG	82.790	2006	TSUNEISHI CORP - TADOT	MAN-B&W	MIDEAST BYRS	9.500.000	115
EVERLUCKY	70.296	1996	SUMITOMO HI OPPAMA	Sulzer	CHINESE BYRS	7.400.000	
EVERMERIT	69.045	1995	SUMITOMO HI OPPAMA	Sulzer			
BRIDGEGATE	53.477	2010	IMABARI IMABARI	MAN-B&W	SINGAPOREAN BYRS	10.000.000	187
VIGOROUS	52.498	2005	TSUNEISHI HEAVY CEBU	B&W	GREEK BYRS	7.200.000	137
GLOBETROTTER	48.911	2001	NANTONG COSCO KHI SHIP	B&W	UNDISCL BYRS	4.900.000	100
ARRILAH-I	36.490	2011	HYUNDAI MIPO DOCKYARD	MAN-B&W	UNDISCL. BYRS	8.750.000	240
UMM AD DALKH	36.490	2011	HYUNDAI MIPO DOCKYARD	MAN-B&W	UNDISCL BYRS	HIGH 8.000.000	
LABRADOR STRAIT	34.126	2010	SEKO HEAVY INDUSTRIES	MAN-B&W	UNDISCL. BYRS	6.850.000	201
MARTIGNY	20.035	2002	INP HEAVY INDUSTRIES C	MAN-B&W	UNDISCL. BYRS	2.900.000	145
TANKER	DWT	BLT	PLACE	M/E	BUYER	\$ Mil	\$/dwt
RIDGEBURY PURPOSE	306.307	2000	SAMSUNG HEAVY INDUSTRI	B&W	GREEK BYRS	21.000.000	69
ATLAS VOYAGER	115.482	2003	SANOYAS HISHINO MIZ'MA	B&W	UNDISCL. BYRS	15.500.000	134
GRACE RIVER	49.996	2002	KAWASAKI SHIPBUILDING	B&W	VIETNAMESE BYRS	33.000.000	660
CONTAINER	DWT	BLT	PLACE	TEU	BUYER	\$ mil	\$/dwt
Ro-Ro / MPP / Ferry / Reefer	DWT	BLT	PLACE	TYPE	BUYER	\$ mil	\$/dwt
BBC MICHIGAN	12.767	2010	JIANGDONG SHIPYARD	GEN.CARGO	UNDISCL. BYRS	7.000.000	548
BBC ARIZONA	12.746	2010	JIANGDONG SHIPYARD	GEN.CARGO		7.000.000	549
DEMO	TYPE	DWT	BLT	LDT	\$ LT / ldt	\$	PLACE
NEW JOY	BC	149.297	1998	18.147	372	6.750.684	BANGLADESH
USOLIE	BC	68.788	1990	10.244	380	3.892.720	PAKISTAN
TG APHRODITE	CONTAINER	33.709	1999	10.817	420	4.543.140	INDIA
SINOKOR YOKOHAMA	CONTAINER	11.031	2000	4.672	403	1.882.816	SUB CONT RANGE



12 MONTHS STATISTICS



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