

The Hong Kong Polytechnic University
Department of Logistics and Maritime Studies
Research Seminar

Disentangling Supply and Demand Shocks in Shipping Markets

by

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Date: 20 September 2017 (Wednesday)

Time: 10:30am - 11:30am

Venue: R1106, Shirley Chan Building

The Hong Kong Polytechnic University

(Conducted in English)

Abstract:

This study proposes a novel framework for disentangling supply and demand shocks in dry-bulk shipping. Previous studies have focused on evaluating the response of shipping market variables, such as ship prices or contracting, to exogenous shocks in freight rates. This identification methodology fails on two assumptions: first, potential existence of reverse causality from shipping market variables to freight rates means that cause and effect are not well defined and second, freight rates are driven by distinct demand and supply shocks which may violate the ceteris paribus assumption. In this paper, we adopt a structural VAR identification methodology which accommodates the previous issues and identifies unique orthogonal shocks related to demand, supply and utilization, freight rates and newbuilding orders. The proposed research design considers the unique features of the shipping industry such as inelastic demand and construction lags in building new ships. The paper provides estimates of the dynamic effects of these shocks on dry-bulk freight rates and quantifies their magnitude over the period 1996 to 2016.

Bio:

Nikos Nomikos is Professor of Finance at Cass Business School and Director of the MSc course in Shipping, Trade and Finance, one of the leading postgraduate course in shipping and finance. He commenced his career at the Baltic Exchange where he worked on the development of shipping indices which are currently used as pricing benchmarks in the market. His area of expertise is quantitative finance and its applications in ship finance, shipping risk and freight modelling. Professor Nomikos has collaborated with several companies both as consultant as well as educator and has published more than 50 papers in international academic journals. He has also published numerous book chapters and has co-authored the book "Shipping Derivatives and Risk Management", considered the leading reference book in this discipline. His views about commodity and shipping markets are also frequently profiles in the press and other media. Professor Nomikos holds a BSc in Economics from Athens University of Economics and Business, an MSc in Shipping, Trade & Finance (Distinction) from Cass Business School and a PhD in Finance from Cass Business School. He is also a Member of the Institute of Chartered Shipbrokers.

Please email to irene.lam@polyu.edu.hk for enquiries.

All are welcome!