

No quick resumption of Red Sea transits on the cards

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The Houthis from Yemen appear not to have got this week's memo from the White House claiming that the Red Sea shipping crisis is drawing to a close.

Donald Trump, the American president, said on Tuesday that after more than 17 months, the Houthis have agreed to halt their attacks on shipping and that Washington would in turn stop carrying out strikes on the Iran-backed rebels in a deal it was subsequently revealed was largely brokered by Oman.

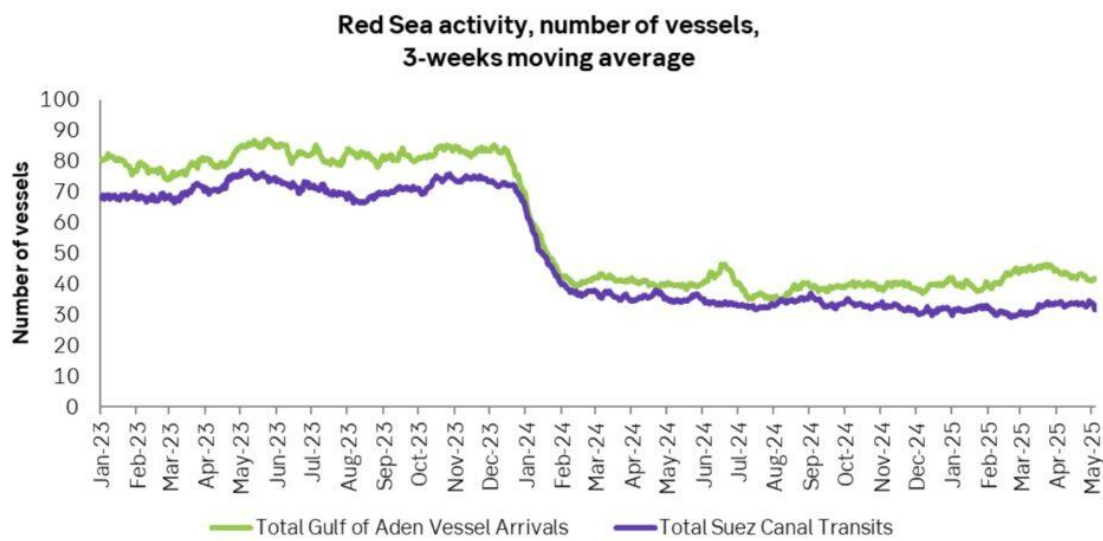
However, the Houthis have maintained they will continue their fight against Israeli-linked tonnage. Moreover, last night the official military spokesperson of the Houthis broadcast details of an alleged attack against US aircraft carrier *USS Harry S Truman* and its support vessels.

Insurers and leading shipping associations are advising commercial shipping to keep away from the region for the time being despite the rhetoric coming out of the White House.

“Given the fast-changing news flow in the current climate, we do not expect a rush to return to normal Red Sea transits given the risks,” shipping analysts at investment bank Jefferies argued in a note to clients, pointing out how the container shipping industry remains the most exposed to a change in market fundamentals should Red Sea transits resume normally. Jefferies estimates the effect of diversions has tightened capacity by 11-12% and is effectively the difference between a healthy market and one with limited ocean carrier pricing power. Other shipping segments are less exposed, with Jefferies suggesting tankers seeing a moderate 2% supply tightening benefit, dry bulk 1%, LPG 2% and LNG 3%.

Shipping volumes in the Red Sea continue to be depressed, currently around 50% lower than 2023 figures, according to data from SEB, a Swedish bank.

Red Sea activity, number of vessels



Source: SEB, SIN

Screenshot