Reuters

U.S. shipping shares rally after election, raising questions

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By Caroline Valetkevitch

NEW YORK, Nov 16 (Reuters) - Shares of U.S. shipping companies shot higher again on Wednesday, tripping various volatility halts and raising questions over the reasons behind their sharp rally following Republican Donald Trump's victory in last week's presidential election.

The jump in share prices and unusually heavy trading volume surprised even analysts who follow the stocks. DryShips Inc is up a whopping 1,500 percent since the election, and other companies also saw their share prices multiply. Some said the gains were partly tied to optimism that commodity demand would increase under Trump, who has pushed for more infrastructure spending and promised to help the U.S. coal industry.

Yet Trump also campaigned on an anti-trade stance, which could actually hurt some companies in the shipping industry.

At the center of the rally has been DryShips, whose tankers carry coal and other commodities. Its stock, which was halted before the open on Wednesday and has not resumed trading yet, is up about 1,500 percent since its close on the Nov. 8 Election Day.

"The bigger bull-case scenario is that demand is actually improving, as indicated by the resurgence in commodity prices," said Stifel Financial Corp director Benjamin Nolan, who covers maritime sectors.

But "these are pretty astounding moves," he said. "There may be a number of factors, but any one of them, you wouldn't imagine it would have this kind of impact, and it shouldn't extend itself to all sectors" of the shipping universe.

Shares of Diana Containerships Inc, Globus Maritime Ltd and Pangaea Logistics Sol Ltd were also halted for volatility on Wednesday multiple times due to the outsized moves.

On Wednesday alone, Globus Maritime jumped 188.1 percent and Diana Containerships gained 109.4 percent, both in heavy volume, while Pangaea shares were up 8 percent. Safe Bulkers Inc was up 15.2 percent, while Seanergy Maritime Holdings Corp rose 50 percent.

Shipping shares had been under pressure as the industry struggled with global overcapacity and sluggish global trade in goods.

In the most visible sign of weakness, South Korea's top container shipper Hanjin Shipping Co Ltd filed for bankruptcy earlier this year.

NOT A SHORT SQUEEZE

Shipping stocks' recent meteoric rise has attracted interest from short sellers, and some market watchers have speculated that part of the rise could be the result of short sellers being forced to cover their positions.

But analysts at S3 Partners, a financial analytics firm, said that is not the case, at least for Dryships and some other shares.

"Short squeeze ends up being the phrase that gets tossed around when people don't know what else to say. When I look at the data, what I see is shorts are getting bigger," said Ihor Dusaniwsky, S3 Partners head of research.

DryShips' 130,700 shares being shorted make up less than half a percent of the 31.1 million shares traded in the last four days, Dusaniwsky said. "Even if all the open shorts covered their positions, it would not have moved Dryships' price significantly."

In a Nov. 10 filing with the U.S. Securities and Exchange Commission, DryShips said it was engaged in discussions with its lenders for the restructuring of its bank facilities.

Joe Saluzzi, co-manager of trading at Themis Trading in Chatham, New Jersey, said the rally concerned him.

"It's going on for days," he said. "Where are the regulators?"

A spokeswoman from the SEC declined to comment, while a spokesman from Financial Industry Regulatory Authority had no immediate comment. (Additional reporting by Sinead Carew and Chuck Mikolajczak; Editing by Lisa Von Ahn, Rodrigo Campos and David Gregorio)