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THE BIGGER PICTURE

... Trump Tantrums ...



Source : The Times

POINTS OF VIEW

President Trump has halted \$400 million of US voluntary funding to the WHO after accusing it of being slow to respond to CV-19 and of siding with China. This move was designed to deflect criticism from his own lethargic response to the virus. We should recall that on 26 February he claimed that CV cases in the US had peaked at 15, were set to go down, and everything was under control. Yesterday, it reached 632,548 cases and 31,071 deaths. 22 million Americans filed for unemployment benefits in the past 4 weeks while China's economy shrank 6.8% in Q1. The WHO's actions will be investigated in due course but now is no time for finger pointing. The president came under widespread criticism for his attack on the WHO which is likely to play a key role in promoting testing and finding a vaccine, for which it needs more rather than less funding. If the US goes ahead and withdraws funding then it will present China an opportunity to step in and adopt the moral high ground. The president is helping to peddle the myth that the virus was created in a laboratory in Wuhan and used as a bioweapon. He wants to open up the US economy as early as May Day but has decided to leave the precise timing to governors of the 50 states; that way he can blame them if it all goes wrong. All nations need to come together to find a global solution as developing countries, mainly in the southern hemisphere, face a tsunami of infection that they are ill-prepared for, and this may then circle back in a second phase to developed countries just as they emerge from first lockdown. There is no agreement on how to sustainably and safely exit lockdown.

Like any other industry, shipping is being buffeted. Bulk carriers are currently struggling while crude and product tankers are benefitting from strong floating storage demand that is set to prop up earnings in Q2 before a possibly painful unwinding in Q3, assuming a revival in end-user consumption by then. When cars can be driven again, and planes return to the skies, we will see a sharp rebound in demand for gasoline and jet fuel. With luck, it will lead to a speedy unwinding of floating storage, during which time rates will drop as seaborne import demand will fall and currently furloughed tankers will return to the active fleet. Container traffic is being hit by reduced discretionary spending on non-essential items while consumers look to conserve cash as jobs and livelihoods are at risk. How has this affected shipping rates in Q1 compared to the previous quarter and the same quarter a year ago? According to data from Shipping Intelligence Network, a 10-year old 300,000-dwt VLCC made \$84,557 per day trading spot in IQ20 compared with \$102,761 in 4Q19 and \$25,625 in 1Q19. Performance was below the strong last quarter of 2019 but 3.3-times spot earnings in the same quarter a year earlier, proving that tankers can still do well in tough times. On the clean side, 1-year timecharter rates for a 50,000-dwt modern eco MR averaged \$17,567 daily in IQ20 compared with \$17,519 in 4Q19 and \$15,029 in 1Q19. Not so bad despite all the ghastly news.

Bulk carriers have had a hard time as demand for steel and power have both dropped thus impacting seaborne movements of iron ore, coking coal and thermal coal. A 10-year old 180,000-dwt capesize only averaged \$6,394 daily in the spot market in IQ20, which was considerably below the \$27,066 in 4Q19 and it was 30% lower than the \$9,199 average in the awful cargo-starved 1Q19. It was a similar story for a 10-year old 58,000-dwt supramax that averaged \$7,941 daily in IQ20 compared with \$13,940 in 4Q19. It was 8% below the \$8,640 average in 1Q19. The situation for a modern gearless 2,750-teu large feeder is more encouraging as the average 6-12 month timecharter rate in IQ20 was \$9,897 daily compared with \$10,963 in 4Q19. It scored 15% above the \$8,638 of 1Q19. The equivalent numbers for a modern 8,500-teu intermediate size boxship were \$28,075 daily in IQ20 against \$29,383 in 4Q19 and \$19,329 in 1Q19. First quarter results in these selected segments were generally quite good when assessed on a MoM and YoY basis, maybe proving that shipping is an essential service. In the month of April to date, VLCCs and MRs are holding up very well while capes are rebounding (BCI-5TC at \$9,875 today) although supras are sliding (BSI58-TCA at \$4,449 today). Large feeder rates were 3% weaker in the first two weeks of Q2 while intermediate rates were 13% lower. As more countries exit lockdown during Q2, economic activity will rise and shipping will get a demand boost. What we do not want is too hasty an exit leading to a new wave of infections and secondary lockdowns. It will be a hard process to manage.

17 April 2020

Dry Cargo Chartering

The **BDI** closed today at 751 points, up 120 points from before the Easter break.

The **cape** index has seen notable gains from last week, up \$3,113 to close today at \$9,875. Both basins remained steady, while rates continued to slowly strengthen, primarily in the Pacific. It is evident that sentiment is up, providing some well received confidence. On voyage, Vale took two 210,000mt 10% stems on the *Sakura* (229,067-dwt, 2010) & the *Awobasen Maru* (226,371-dwt, 2013) from Turbaro to Qingdao at \$9.80 & \$9.85. Rio Tinto completed a couple TBN's 170,000mt 10% stems from Dampier to Qingdao at low mid \$4. Koch Shipping fixed a Genco TBN at 170,000mt 10% loading Sudeste to Qingdao at \$12.75.

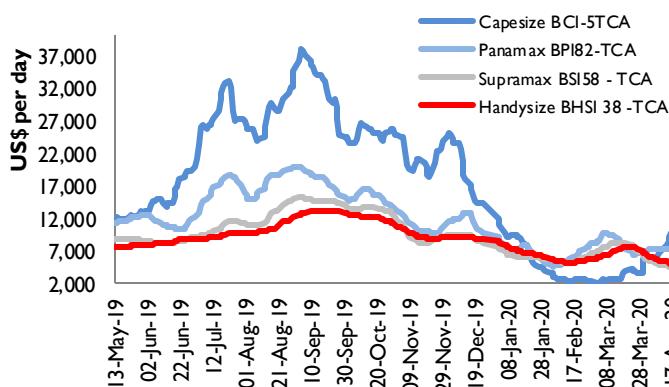
The **panamax** market increased this week following the Easter break to \$7,429, up slightly from last Thursdays early closing of \$7,315. In the Atlantic, Bunge fixed the *Omak* (79,677-dwt, 2010) delivery Gibraltar for a trip via North coast South America redelivery Skaw-Gibraltar range at \$4,500 while DDSL took the *Sun Excelsior* (77,160-dwt, 2014) delivery Gdynia for a fronthaul trip via the Baltic to China at \$17,000. Also, Louis Dreyfus fixed the *Star Altair* (81,600-dwt, 2019) delivery East coast South America for a trip with grains to the Far East at \$13,000 plus a \$300,000 ballast bonus. Meanwhile in the Pacific, Oldendorff fixed the *Atalanta* (82,094-dwt, 2010) delivery Shanghai for a trip via the North Pacific redelivery Singapore-Japan range at \$6,850 while Cargill took the *Crimson Ark* (81,765-dwt, 2016) for a similar North Pacific round trip but with delivery Busan and at \$8,250. Additionally, the *Sakizakya Miracle* (81,688-dwt, 2017) was fixed for a year period delivery China at \$10,850 with worldwide redelivery. TS Global also took a To be Nominated Cargill vessel for a 70,000mt 10% coal cargo from Ust-Luga to Ijmuiden at \$4.20pmt.

The **supramax** market kept sliding down due to overwhelming tonnage supply. The BSI closed at \$4,449 down from last weeks \$4,852. In the Atlantic, *Socratis* (58,609-dwt, 2010) fixed delivery Canakkale for a prompt trip via Black Sea redelivery East coast South America at \$4,500 first 45 days thereafter \$9,000. In the Indian Ocean, *Ever Progress* (56,592-dwt, 2012) fixed delivery Kongsichang for a prompt trip redelivery north China at \$5,250. In the Pacific, *Knossos* (56,763-dwt, 2011) fixed delivery south Vietnam for a prompt trip via Indonesia redelivery Vietnam at \$1,000. The *Jin Sheng* (52,050-dwt, 2006) fixed delivery Indonesia for a trip redelivery China at \$4,400. The *Darya Noor* (57,110-dwt, 2011) fixed delivery CJK via Australia redelivery Singapore-Japan at \$3,500.

The **handy** index fell this week by \$551 to finish today at \$4,958. It was a very short and disrupted week with Easter holidays both ends and very little was reported. East coast South America is flooded with tonnage yet drained of water, very low draft levels upriver contributing to an over supply of tonnage adding pressure to already low rates. A large handy was reported to have fixed \$6,000 North Brazil to US east coast. Weco Bulk fixed the *Western London* (39,260-dwt -2015) delivery Brunsbuttel for a trip via Baltic redelivery Paranagua at \$5,500. It was another slow week for the handysize vessels in the Pacific, with rates falling across the board due to negative sentiment. Very little activity was reported but we heard that *Iris K* (37,000-dwt, 2015) fixed a trip with concentrates ex Brisbane into China at \$6,000 APS and then on the period side of things, *Pacific Noble* (28,254-dwt, 2011) fixed 2/3 laden legs delivery LYG at \$4,000 for the 1st 40 days and then \$6,200 for the balance period.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Nord Pluto	82,023	2014	Denmark	09 April	Skaw-Gib	5,000 first 25 days 5,750 thereafter	Oldendorff	Via Baltic with coal
Ekaterini	82,000	2018	Bayuguan	13 April	S. China	6,500	Devesion	Via E. Aussie
Panther Max	81,283	2012	Canakkale	16 April	Singa-Jpn range	16,000	CNR	Via B. Sea
CK Bluebell	81,147	2011	Retro Sailing Paradip	1 April	Singa-Jpn range	9,500	Crystal Sea	Via ECSA with grains
Fh Ri Zhao	79,489	2015	Zhoushan	11 April	S. China	5,500	Lotus Ocean	Via Indo with coal
Socratis	58,609	2010	Canakkale	Ppt	ECSA	4,500 first 45 days 9,000 thereafter	Evomarine	Via B.Sea
Darya Noor	58,110	2011	CJK	Ppt	Singa-Jpn	3,500	CNR	Via Aussie
Global Genesis	57,696	2010	Indonesia	ppt	Thailand	3,500	CNR	
Knossos	56,763	2011	S. Vietnam	ppt	Vietnam	1,000	CNR	Via Indo
Jin Sheng	52,050	2006	Indonesia	22 April	China	4,400	Tongli	



Exchange Rates	This Week	Last week
JPY/USD	107.35	108.58
USD/EUR	1.0865	1.0774

Brent Oil Price	This Week	Last week
US\$/barrel	28.17	33.56

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	176.0	192.0
MGO	256.0	287.0
Rotterdam IFO	165.0	170.0
MGO	260.0	300.0

17 April 2020

Dry Bulk S&P

As the market continuously adjusts to the ever evolving impact of the virus pandemic, reports of concluded sales are few and far between. There has however been some encouragement on the physical market, with a better showing on the cape indices due to an improved supply of South American iron ore and China's stimulated economic fight back.

The wider global lockdown has certainly not stopped the rumour mill from turning this week, with reports circulating of an Ultramax package and a separate modern handysize deal under close negotiation. We will elaborate further in next week's addition, if these rumours are substantiated.

It's worth taking note of activity in demolition market this week. Sinoko have reportedly sold one of their VLOC's, *HBIS Sunrise* (268,123-dwt, Mitsubishi) to an undisclosed cash buyers, basis 'as

is' delivery Singapore, at circa \$310 per ldt. In order to aid a successful delivery, it's understood the buyer has agreed to pay the sellers crew costs, with the hope that subcontinent yards reopen within the agreed laycan dates.

In the immediate future, delivering vessels across all markets: Demo, Dry and Wet second hand, remains extremely challenging. Creative solutions need to be explored, as global restrictions on crew exchanges, quarantine periods at ports etc, are severely impacting the successful conclusion of previously agreed and ongoing transactions.

In the demolition market, we understand there is a large backlog of units waiting for the beaches to open before delivery dates expire and contracts collapse. Drybulk net fleet figures could look remarkably different come the end of Q2.

Reported Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	\$/LDT	Buyer
HBIS Sunrise	268,132	1992	Mitsubishi	Bulk	31,795	Circa 310	Undisclosed

Tanker Commentary

The universally strong tanker earnings, fuelled by increasing storage opportunities, have not been sufficient to prohibit negative sentiment creeping into the product sector. Crude tankers are in high demand with sales candidates scarce and limited to vessels approaching their third and fourth special surveys, the same cannot be said for product tankers. The number of vessels in the shop window are growing and the spread between buyers' and sellers' price expectations also seem to be growing. The bearish sentiment is not being helped by charterers adopting a short term position, reluctant to fix for longer than 6-12 months.

The last two pumproom MRs marketed for sale from the Japanese market have been withdrawn with sellers seemingly unimpressed with the offers on the table. This week it was the turn of the owner of *Carina* (47k-dwt, 2010 Iwagi) to try their luck. We understand two offers have been received

in the 16s with the owners mulling over their next move. It will be interesting to see whether a deal can be struck or not next week.

One sector that has outperformed expectations is the handy tanker sector. In 2019, we estimated that approximately 30 sales in this space were concluded and year to date in 2020 we are already approaching close to half of that reported in more challenging circumstances. The award for the most prolific buyer must go to Indonesian owner Waruna who are reported to have acquired three vessels in recent weeks. Following the acquisition of *Baltic Commodore* (37k-dwt, 2003 HMD) a month ago, we understand Waruna have added the *Esther* (37k-dwt, 2005 HMD) and *Ribe Maersk* (35k-dwt, 2004 GSI) to their fleet at \$9m and \$8m respectively – both prices largely in line with recent activity.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Inyala	40,037	2008	SLS	undisclosed	Low \$14m	Subs lifted
Esther	36,939	2005	HMD	Waruna	\$9m	
Ribe Maersk	34,806	2004	GSI		\$8m	
Cape Durango	12,834	2010	STX	Undisclosed	Reg \$7m	

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