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THE BIGGER PICTURE

... Biden Revival? ...



Source: The Times

POINTS OF VIEW

Another extraordinary week with the highlight being a big turnaround on Super Tuesday as Biden unexpectedly stole a lead on Sanders. Other Democrat candidates had been falling away ahead of the event and endorsing Biden. On Wednesday, Michael Bloomberg stood down and endorsed Biden while pledging financial and technical support to his campaign. This did not go the way the president had hoped. He was openly promoting Sanders as his opponent, knowing that the left-wing socialist policies of Sanders would be easy to defeat with a right-wing America First, Republican campaign by dragging up the anti-communist, McCarthyist paranoia of the distant past. Now Trump has the prospect of having to take on a centrist and moderate opponent who spent years as Obama's vice president, equating to a lot more international political experience than any of Trump's motley band of cronies, family and friends. Trump's other problem is the stock market correction and global economic slowdown. On 26 Feb, he contradicted his own medical experts in downplaying the coronavirus, miscounting 15 instead of 60 US infections (233 now). He assured the nation that infections had peaked and that a vaccine was imminent against expert advice of 12-18 months. He blamed CNN and Democrats for exaggerating the seriousness of the situation for political gain. As it turns out, the president was and is wilfully ignoring medical evidence, and the threat to American lives, for his personal gain. In each budget of his tenure, Trump has tried to cut funding to the NIH/CDC* but each time Congress has rejected such attempts and ended up raising funding. However, he has progressively watered down provisions of the 2010 Affordable Care Act[^] (Obamacare), that will raise all household medical bills as the virus spreads. Healthcare matters! His popularity ratings are waning and there is a building sense of anger over his continuous peddling of fake and misleading information in pursuit of re-election. Four more years of him will have repercussions for global politics and economics, world trade and shipping.

Flybe, the UK regional carrier, ceased trading on Thursday with the loss of 2,400 jobs. It was already in a precarious financial position but the coronavirus was the last straw. A £100m government rescue plan was pulled, as it contravened EU state aid rules, while shareholders declined to inject more cash. UK connectivity is greatly reduced and Flybe's key airports such as Southampton, Exeter, Newquay, Anglesey and Belfast will be at risk as traffic volumes fall. In shipping PIL, a top ten container line is selling some ships, joint venture stakes and other assets in a bid to raise cash and restructure. It will not be the last if this epidemic lingers. Newbuilding orders for 20,000+teu ships from other carriers, such as Hapag-Lloyd, are being put on hold until we have greater situational clarity. It is a similar theme for everyone else. In the global economy, we have simultaneous supply and demand shocks: difficulty in making goods and getting them to market, and then difficulty in selling them to cautious consumers. These twin supply and demand shocks also affect shipping, and yet in this instance the supply shock is a positive one. Ships are being diverted to other destinations to avoid quarantine or to access land-based storage. In its absence, some are being used as floating storage. Poor rates mean that ships are idling off discharge ports rather than ballasting to loading areas. Structurally, demand is greater in the east than the west, so we will soon see an imbalance of too many ships in the Pacific and too few in the Atlantic. Many ships that were due to drydock, pass special surveys and retrofit scrubbers and BWTS have had to postpone these tasks, just as many new ship deliveries are being put back by months. Slippage is back, and slippage is good.

Scrapping is also on the rise as owners decide not to pay the costs of going through a 4th special survey at age 20. In the worst affected bulk carrier sector, 29 units of 3.1m-dwt were scrapped in the first two months of 2020 compared with 12/1.0m-dwt in Jan/Feb 2019. Only 13 bulk carriers of just under 1.0m-dwt have been ordered so far this year compared with 65/5.6m-dwt in Jan/Feb 2019. As they say, every cloud has a silver lining and this viral attack is hitting shipping supply just as hard as seaborne demand. Demand will return but supply will be constrained for several years. At some point, maybe as the weather warms up in the northern hemisphere, we will get over the worst of the virus and call it contained. Then there will be a catch-up demand surge coinciding with ships finding themselves in the wrong place, forced to dock or delayed from hitting the water. It could be a U-shaped recovery in the global economy and a V-shaped one for shipping.

*The National Institutes of Health, HQ in Bethesda, MD, and the Centres for Disease Control and Prevention, HQ in Atlanta, GA.

[^]In his 4 Feb 2020 State of the Union address Trump claimed: "I have also made an ironclad pledge to American families. We will always protect patients with pre-existing medical conditions." This was not truthful.

In 2015, he claimed to be the first and only GOP candidate to promise no cuts to Social Security, Medicare & Medicaid. But, his 2020 budget proposal would cut Medicaid spending by \$1.5tn over the next decade.

Dry Cargo Chartering

The **BDI** closed today at 617, up 82 points from last week. The **cape** market showed slow signs of improving rising \$268 from last week. The usual 170,000mt 10% ore runs from Port Headland to Qingdao were fixed at low \$5's. The Berge *Grossglockner* fixed 180,000mt 10% from West Australia to Qingdao with Cargill. Rio Tinto fixed a couple of TBN vessels at 170,000mt 10% from Dampier to Qingdao at \$5.20 & \$5.10 respectively. Oldendorff fixed the *Sideris GS* (174,186-dwt, 2006) delivery Jiangyin for 8/9 months redelivery worldwide at \$12,750.

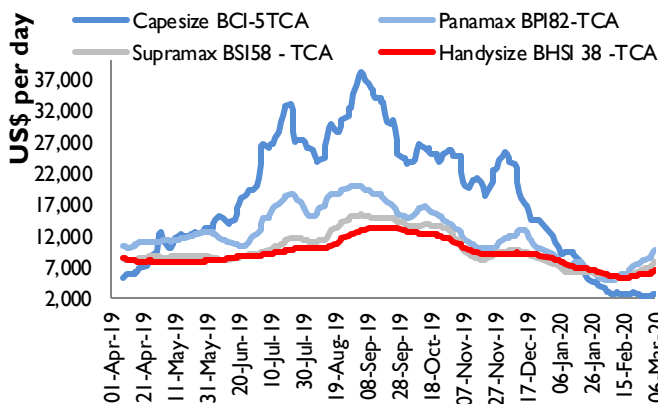
The **panamax** market rose again this week closing at \$9,610, up \$1,463 from the previous week's \$8,147. The *Xing Sheng* (75,725-dwt, 2011) fixed delivery Yangjiang for a trip to Malaysia via Indonesia with coal at \$3,000. In the Atlantic, Norvic took the *Bulk Portugal* (82,224-dwt, 2012) for a spot trip delivery Liverpool via Murmansk with coal to India at \$20,000. In terms of period fixtures, Bunge fixed the *Oceania Graeca* (82,033-dwt, 2019) delivery CJK for 4-7 months at \$11,000 while Norden took delivery of the *MBA Liberty* (82,217-dwt, 2010) passing Taiwan for 9-12 months at \$10,800, both with worldwide redelivery.

The **supramax** market this week was strong in all basins, the BSI closed at \$7,564, up from last weeks \$6,667. In the Atlantic, the *Lowlands Mimosa* (63,939-dwt, 2018) fixed delivery Recalada for a trip redelivery Egypt at \$15,000, the *Equinox Seas* (52,009-dwt, 2003) fixed delivery Santos for a trip redelivery Bejaia at \$14,500, *Tomaros* (66,508-dwt, 2019)

fixed delivery Rotterdam for trip redelivery South Africa with grains at \$14,500. In the Indian Ocean, the *Patmos John* (56,633-dwt, 2011) fixed delivery Colombo for trip via Red Sea redelivery India at \$8,000, *Cas Avanca* (55,561-dwt, 2009) fixed delivery Fujairah for a trip via the Arabian Gulf redelivery East-coast India at \$10,000. In the Pacific, the *Isabelita* (58,470-dwt, 2010) fixed delivery Cigading for a trip via Indonesia redelivery China at \$9,500, *Yangtze 8* (63,515-dwt, 2015) fixed delivery Singapore for a trip redelivery China with bauxite at \$10,250, *Mimi Selmer* (55,711-dwt, 2005) fixed delivery East Kalimantan for trip redelivery Vietnam at \$9,100.

Positivity grew for the **handysize** vessel this week, with rates off the Continent stealing the show. The index went up by \$461 up from last weeks close of \$6,292. *Helga Bulker* (34,483-dwt, 2017) open Casablanca was fixed for a trip via Rouen to Morocco at \$10,000 and *Budva* (35,000-dwt, 2014) fixed delivery Santos for a trip to Morocco at \$9,500. Out of the US Gulf it was rumoured that a 33k-dwt was on subs for a trip to the Dominican Republic at \$11,000. The pacific saw slight improvement but rates were still not as attractive as seen in the Atlantic. Cargoes out of Australia were few and far between and the north fared better than the south. *TS Bravo* (38,896-dwt, 2015) was fixed for an Australian grain coastal delivery Sydney at \$2,000. On the period side of things, *Moonbright SW* (36,392-dwt) was fixed delivery China at \$4,000 for the 1st 30 days and \$8,250 thereafter for 3/5 months.

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
MBA Giovanni	93,361	2010	Jingtang	2-3 March	Singa-Jpn Range	5,750	Louis Dreyfus	
Key Integrity	83,375	2011	Recalada	24-25 March	Contient	11,500	Cosco	
Medi Sydney	81,788	2015	Kawasaki	7-8 March	Japan	9,000	K-line	
Egret Oasis	76,028	2014	Fazendinha	18-25 March	Hamburg	10,000	Aquavita	
Star Mistral	63,301	2014	Haldia	3-5 March	World wide	11,000	Cargil	1 Year Period
Patmos John	56,663	2011	Colombo	ppt	India	8,000	Panocean	Via Red Sea
Equinox Seas	52,009	2003	Santos	Mid March	Bejaia	14,500	Omega	
SFL Kent	34,003	2012	SW Pass	ppt	WCCA	15,000	CNR	
Lauren Ocean	42,584	1996	Campha	ppt	North China	5,500	CNR	
Swakop	34,274	2013	Montoir	ppt	Algeria	10,000	Norvic	Via Rouen



Exchange Rates	This Week	Last week
JPY/USD	105.33	108.69
USD/EUR	1.1314	1.0988

Brent Oil Price	This Week	Last week
US\$/barrel	47.87	50.94

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	287.0	290.0
MGO	445.0	430.0
Rotterdam IFO	259.0	270.0
MGO	422.0	375.0



6 March 2020

Dry Bulk S&P

On the back of growing reports that the Chinese economy is showing signs of increased functionality, the physical market has continued to show incremental signs of positivity this week. However, as Western economies start to grapple with the intensifying challenges of confinement, reported sales volumes remain conservative.

Medi Hong Kong (82,790-dwt, 2006 Tsuneishi) has reportedly been sold to middle eastern buyers for \$9.25m, SS/DD due July 2020. It'll be interesting to see how the gaggle of similar aged panamax's currently in the market now price themselves.

Torenia (56,049-dwt, 2007 Mitsui) has reportedly been sold to clients of Astra Ship Management in Greece for \$9.5m. More or less in line with last

done, but not necessarily in line with what can be done today on similar younger units. *Luzern* (50,363-dwt, 2002 Kawasaki) has been sold to undisclosed UAE buyers for \$5.6m, docking due May 2020.

Elsewhere, *Shah* (36,490-dwt, 2010 Hyundai Mipo) has been sold to undisclosed buyers for \$8.2m. In line with the Korean built, *Baltic Wind* (34,409-dwt, 2009 SPP), reportedly sold to Turkish interest last week in the high \$7'sm.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Medi Hong Kong	82,790	2006	Tsuneishi	-	Middle Eastern	\$9.25 m	
Torenia	56,049	2007	Mistui Eng	C 4x30	Astra	\$9.50 m	
Luzern	50,363	2002	Kawasaki HI	C 4x31	UAE buyers	\$5.6/5.7 m	
Shah	36,490	2010	Hyundai Mipo	C 4x30	Undisclosed	\$8.20m	SS due in October



Tanker Commentary

In the past week the BDTI has slipped from 796 to 764 points, a 4% drop. Meanwhile, the VLCC-TCE has fallen from \$22,007 last Friday to \$21,313 daily today, a 3.2% downward adjustment. The fresh news out of Vienna this evening is that the Opec meeting has broken up without agreement between Saudi Arabia and Russia. Saudi Arabia had been pushing to raise Opec+ output cuts from the current 2.1m-bpd (to end March) to 3.6m-bpd (to end 2020), but only on condition of Russia's meaningful participation. It refused, and Brent fell 9% to \$45 a barrel. When it is virus-free, Chinese traders may take this moment as a great buying opportunity and purchase foreign crude for storage. However, many shale oil producers, having already switched from further investment to

paying down their considerable debts, will cease production at \$45 a barrel. VLCCs will lose much of the ton-mile-rich trade from the USG to China and other Asia. Global oil demand growth forecasts for this year are now adjusting from +1.0m-bpd just two months ago to -0.5m-bpd today, a 1.5m-bpd negative swing. On a brighter note, the BCTI gained 5% this week, going from 652 to 685 points, while the MR Atlantic Basket put on 6% in rising from \$28,504 to \$30,297 per day. Small mercies in a challenging market.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Miltiadia Junior	320,926	2014	Shanghai Waigaoqiao	Undisclosed	\$69-70 m	
Falcon Pride	159,899	1998	Daewoo	Chinese	\$14.70 m	Committed on subs
Aquabliss	112,802	2019	Samsung	Minerva	\$56.0 m	
Olympic Sea	104,808	2008	Shanghai Waigaoqiao	Advantage Tankers	\$44/45 m	
Olympic Sky	104,769					
Ocean Schooner	79,083	2000	Samsung	Undisclosed	\$6.80 m	
PTI Orion	51,218	2006	STX	Chinese	\$13.30 m	Sub BOD next Friday
Inyala	40,037	2008	SLS	undisclosed	undisclosed	Committed buyers subs
Rhino	39,710	2010				

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