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THE BIGGER PICTURE

... Europe goes into Lockdown ...



Source : Euronav

POINTS OF VIEW

We are at war on multiple fronts. Most countries around the world are now on a war-footing against an invisible enemy as they deploy the full financial resources of the state to tackle the virus, protect lives and jobs and shore up markets and the economy. If ever there was a time to bury the trade war hatchet, it is now. Unfortunately, relations between the US and China are going from bad to worse with President Trump referring to Covid-19 as the “Chinese virus”. The Chinese are deeply offended although various elements of the Chinese media had blamed the US military for importing the virus into Wuhan. The impossible targets outlined in the Phase One US-China trade deal are nowhere near being implemented, but it always was viewed as an announcement of convenience, a truce to help stabilise financial markets. The other war is of the oil variety which started two weeks ago when OPEC+ members, Saudi Arabia and Russia, could not agree on the extent of further output cuts. KSA is now flooding the market with crude as it attacks Russian and US export sales into Europe and Asia. Brent has fallen 57% from \$70 a barrel at the start of the year to \$30 today.[^] Lower oil prices normally act as a consumer tax cut and stimulate more driving and greater discretionary spending. But, not at this time of the coronavirus which is causing global lockdowns on the movement of people and goods. Demand for middle distillates is very low as we leave behind a warm northern hemisphere winter and enter an uncertain period of weak to falling demand for transportation fuels such as jet, gasoline and diesel. The US wants KSA/Russia to end their price war or face a US import embargo; the US effectively banning super cheap oil.

Markets are in turmoil as investors flee to cash and gold. Low oil prices have seen all oil major shares plummet with BP and Shell both down 50% since the start of this year. This should be a great buying opportunity but, as one fund manager said, this is not about catching a falling knife, it is more like trying to catch a falling snooker table. Lower crude prices have put more crude oil onto the water as it goes to refineries and into land-based and floating storage. Saudi Aramco has been busy supplying its refineries in the US, Europe and Asia. However, most refineries have seen their profit margins disappear as the combination of low-cost crude and high-cost seaborne transport is greater than the bombed-out prices of low-demand refined products. The economics do not work with global travel restrictions so more and more refineries will go into extended maintenance and seasonal switchover. As if in acknowledgement of the above, tanker rates soared last week but have been falling all this week after hitting a peak on Monday when the VLCC-TCE hit \$264,072 per day.* Retail investors often put tankers in the same basket as oil and sell both when arguably now is a good time to buy listed tanker companies as long as shipping and storage demand remains high. On a 1-year change basis to midday today, crude tankers are doing well with Frontline +31%, DHT +22% and Euronav +19% but not so for product tankers with Scorpio -21% and Torm -1.5% over the past year. Once oil consumption normalises, whenever that may be, all tankers are set for a good run as a vibrant catch-up phase coincides with subdued COT and PT fleet growth.

The spot crude tanker market peaked on Monday on negative refining margins in Europe and Asia. The Baltic VLCC-TCE, the average of AG/East and AG/West, started last week on \$28,245 daily and ended it on \$258,700. This week it started on \$264,072 and ended it today on \$120,319. During this chartering frenzy there was frequent fixing and failing as owners declined to extend subjects, depriving charterers of a free option. High levels were confirmed earlier including the clean fixture last Friday of Sinochem's Sea Splendor 297,123 Dalian 2012 (VLSFO) that Bahri fixed for AG/USG via COGH on 2-6 April loading dates at WS 202.5 equating to a record \$352,000 daily. Over the estimated 65-day duration that could generate around \$21m in net free cashflow. SIN data tells us that the one year rate for a 310,000-dwt scrubber-fitted eco VLCC has been stuck at \$45,500 daily for a month now compared with a \$66,250 daily 2020 peak in mid January. This would suggest that charterers never envisaged the recent surge in spot rates being sustained. For their part, some owners hedged their bets by taking 6-month time charter cover at good rates^^ Glencore is said to have fixed Euronav's 3.1mb ULCC Europe 442,470 Daewoo 2002 for 6 months at \$37,000 daily for storage duties. With financial markets crashing all around us, it is good to see tanker shipping bucking the trend!

[^]Goldman cut its 2Q20 Brent price forecast to \$20 from its earlier guess of \$30 a barrel, venturing a 1.1m-bpd global demand drop this year.

*The US plans to fill its Strategic Petroleum Reserve (SPR) to the brim. It has a capacity of 713.5m barrels and was at 635mb on 13 March.

On 17 March, Vortexa put global floating storage at 63mb out of which 22mb of that storage was in use in Asian locations.

^^It is reported that 3 Hunter Group 2019-built VLCCs have been taken for 6 months each with Mar-May delivery at \$80,000 daily.

Dry Cargo Chartering

The **BDI** dropped 6 points from last week to end play today at 625.

The **cape** market has seen rates improve despite world lockdown, the BCI closed today at \$4,067 up \$1,270 from last week. The usual, Dampier to Qingdao 170,000mt 10% ore runs were fixed at mid-\$4's with Rio Tinto. FMG fixed a Formsa TBN 160,000mt 10% stem from Port Headland to Qingdao at similar levels, \$4.45. The *Besiktas Kazakhstan* a Minmetals relet fixed 170,000mt 10% from Port Hedland to Qingdao at \$4.20 with BHP Billiton. Rio Tinto fixed a NYK TBN 170,000mt 10% from Seven Islands to Oita at \$15.20 via Cape of Good Hope. Swiss Marine fixed the *Berge Kosciuszko* at 160,000mt 10% from Puerto Bolivar to Zonguldak at \$6.85. No time charterer fixtures reported this week.

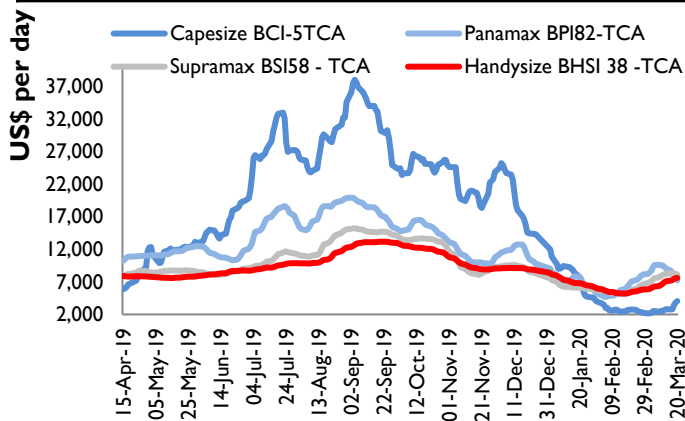
The **panamax** market ended the week at \$7,259, down \$1,802 from last week's closing of \$9,061. Despite the fall, this week saw a lot of activity in the Atlantic as ADMI took the *Horizon Jade* (76,032-dwt, 2011) for a trip early next month delivery North-coast South America to the Continent with grains at \$12,000. Louis Dreyfus took the *Rosalia D'Amato* (74,716-dwt, 2001) for a trip delivery East-coast South America to Poland at \$7,000 also for early April, while the *Emerald Dongji* (81,845-dwt, 2015) was fixed for a trip delivery East-coast South America to the Far East at \$13,000 with a \$300,000 bb but the charterers were not disclosed. Meanwhile, Bunge fixed the *Tiger West* (76,229-dwt, 2013) for a trip delivery South West Passage to Egypt at \$10,000 plus a \$130,000 bb. In the Pacific, Bunge also took the *Fame* (75,912-dwt, 2004) delivery Singapore for a round voyage via East-coast South America at \$7,000, and the *Platanos* (81,123-dwt, 2011) for the same business at \$8,000. Additionally, a Panocean TBN was put forward for a KEPSCO tender for a cargo of 76,000 tons with a 10% margin from Gladstone to Taean at \$7.30pmt.

The **supramax** market this week is softening in general while far East and continent market show slight improvement, the BSI closed at \$8146, down from last weeks \$8,255. In the Atlantic, *Mandarin Sky* (56,930-dwt,2009) fixed Delivery Canakkale for a trip via Black Sea redelivery Arabian Gulf at \$20,000. In the Indian Ocean, *Nicholas* (58,018-dwt,2010) fixed delivery West coast India for trip redelivery China at \$12,250, the *Milos* (56,988-dwt, 2010) fixed delivery Mina Saqr for trip redelivery East coast India / Bangladesh \$8,500. In the Pacific, the *Kanoura* (61,396-dwt, 2013) fixed delivery Villaneuva for a trip via Indonesia redelivery Philippines at \$7,500 the *Olympic Progress* (55,415-dwt, 2012) fixed delivery CJK for a trip via North Pacific redelivery South East Asia at \$8,500 first 60 days and \$9,500 thereafter. The *Trenta* (56,838dwt-2010) fixed delivery CJK for trip redelivery South East Asia intention steel at \$5,250.

The **handysize** market continued to gather pace despite the overall economic turbulence. It closed this week up at \$7,617 up from last weeks \$7,103. In the Atlantic, Universal were linked with fixing *Puma* (34,979-dwt, 2017) for a fertilisers trip into Brazil at \$10,000 basis delivery Ghent and *Pretty Universe* (35,200-dwt, 2013) was fixed at \$8,000 for a trip via the Black Sea to Morocco basis delivery Nemrut Bay. In the Indian Ocean, Bainbridge fixed the *Densa Falcon* (36,752-dwt, 2013) for a trip ex Mesaieed at \$7,000 for a trip into West Coast India. There was little in the way of reported fixtures in the Pacific, however rates seen by vessels for NoPac round voyages were on the up, it was rumoured that a 38k-dwt was on subs at around 6k basis Busan earlier in the week which seemed cheap by Friday with vessels seeing excess 7k for similar trips. On the period side of things *Lila II* (34,604-dwt, 2012) open Vietnam was fixed for 3/5 months at \$5,000 for the first 45 days and then \$7,000 thereafter and *EOS Victory* (33,686-dwt, 2012) was fixed for 2 laden legs delivery Japan at \$5,000 for the first 30 days \$7,000 thereafter.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Nea Tyhi	82,211	2009	ECSA	19 March	S.E. Asia	14,000	Cofco	\$400,000 bb
India	80,255	2011	ECSA	18-19 March	Singapore-Jpn range	13,500	cnr	\$350,000 bb
Thunderbird	79,508	2011	Colombo	Ppt	Singapore-Jpn range	6,400	Bunge	Via ECSA
Captain J Neofotistis	79,501	2012	Recalada	Ppt	Mediterranean	9,750	Cefetra	
Nicholas	58,018	2010	WC India	Ppt	China	12,250	Sugih Energy	Int. Iron ore
Mandarin Sky	56,930	2009	Canakkale	Ppt	AG-WCI range	20,000	Martrade	Via Black Sea
Jin Yun	56,810	2012	Cebu	Ppt	WC India	7,000	Allianz	Via Indonesia
Olympic Progress	55,415	2012	CJK	Ppt	S.E. Asia	8,500 first 60 days/ 9,500 balance	cnr	Via North Pacific
Puma	34,979	2017	Ghent	Ppt	North Brazil	10,000	Universal	Int. Fertilisers
Ikaria Island	32,211	1997	Turkey	Ppt	Portugal	6,500	Nova Marine Carriers	



Exchange Rates	This Week	Last week
JPY/USD	110.58	107.29
USD/EUR	1.071	1.1108

Brent Oil Price	This Week	Last week
US\$/barrel	28.11	34.31

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	177.0	216.0
MGO	277.0	350.0
Rotterdam IFO	186.0	180.0
MGO	277.0	340.0

20 March 2020

Dry Bulk S&P

Despite the current challenges facing the wider global economy, the dry shipping market has remained remarkably resilient this week. At present, tonnage constraints in certain areas are having a positive impact on pockets of the dry indices. And while there are a limited number of sales to report this week, there has been plenty of activity. Numerous vessels have called for offers and encouragingly have attracted plenty of interest. There are buyers out there with the foresight to see opportunity in today's market.

Ocean Pride (72,416-dwt, 1997 Sasebo) has reportedly been sold to Chinese buyers for \$4.5m, with DD due in June. In line with the last done, *Wooyang Queen* (71,298-dwt, 1997 Namura), sold in the middle of February for \$4.3m. *Everlucky* (70,296-dwt, 1996 Sumitomo) and *Evermerit* (69,045-dwt, 1995 Sumitomo) have been sold to undisclosed buyers for \$7.4m.

Following on from last week's reported sale of *Arrilah-I* (36,490-dwt, 2011 Hyundai Mipo), ADNOC have now sold their last remaining two HMD handysizes. We understand *Shah* (36,490-dwt, 2010 Hyundai Mipo) and *Umm Ad Dalkh* (36,490-dwt, 2011 Hyundai Mipo) have been sold enbloc to undisclosed buyers for \$17.3m.

Elsewhere, *Martigny* (20,035-dwt, 2002 INP Hvy) has reportedly been sold to undisclosed interest for \$2.9m.

As we weather the impact of isolation in the West, it's encouraging to note that there is hope on the horizon. As the isolation restraints on our Far Eastern clients begin to ease, enquiry and activity is returning sharply.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Ocean Pride	72,416	1997	Sasebo HI	-	Chinese	\$4.5 m	DD dues in June
Everlucky	70,296	1996	Sumitomo HI	-	undisclosed	\$7.4 m	
Evermerit	69,045	1995					
Shah	36,490	2010	Hyundai Mipo	C 4x30	undisclosed	\$ 17.3 m	Enbloc price
Umm Ad Dalkh	36,490	2011					
Martigny	20,035	2002	INP HI	C3x30	undisclosed	\$2.9 m	

Tanker Commentary

It is not going to be a lack of buying interest that will hinder the flow of activity tanker sale and purchase market in the short term. The logistical hurdles buyers face mobilising surveyors across borders to inspect tonnage in addition to the more challenging prospect of a crew change on delivery appear to be prohibiting transactions as the lack of sales suggests in this weeks report. Visa restrictions combatting the spread of the Covid-19 virus are making it increasingly difficult for owners to deliver tonnage within agreed delivery ranges and unless the transactions are blessed with a “willing buyer and willing seller”, the Courts of Arbitration are likely to be in high demand in the coming months.

The only notable sale to report this week is the AET controlled VLCC *Bunga Kasturi* (299k-dwt, 2003 Universal) which we understand is close to being finalised in the region of \$31m. One would imagine storage business with be the logical destination with oil prices falling further since the publication of last weeks report. Incidentally, the price is in line with Hartland’s internal benchmark for a 2003 VLCC.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Bunga Kasturi	299,999	2003	Universal Shipbuilding	Indian	\$30-31 m	For storage
Mogra	150,709	2000	Nippon Kokan	Venezuelan	\$17.0 m	
Cape Beira	40,046	2005	ShinA	Seaworld Monaco	\$9.5 m	old sale to Nigerians failed

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