



CONTENTS

2. Dry Cargo Chartering
Unprecedented
3. Dry Cargo S&P
Opportunities & Challenges
4. Tankers
Make Hay

THE BIGGER PICTURE

... Imperial or Oxford?
Dr Fauci or Dr Faustus ? ...



Source : The FT

POINTS OF VIEW

There is still no end in sight for the invisible virus that is rampaging around the world, progressively flicking off the lights in the global economy. India is in total lockdown while New York City, with its 28,000 per square mile population density, has become a global epicentre. There are more than 23,000 cases in NYC, 5% of the global total, with the case count doubling every three days. 25% of tests in NYC are coming back positive compared to 5% in California.* Experts say that the virus is wildly out of control in the US and yet President Trump wants to lift all work restrictions before Easter and see full churches on Easter Sunday on 12 April, the date that the outbreak is currently forecast to peak. His self-focused obsession with his re-election implies that he would rather put votes before lives, but it is more complex. The monetary response to the crisis in the US was to slash interest rates to zero while the fiscal response is a \$2 trillion stimulus package, worth 10% of GDP.^ Democrats made sure that the bill prohibits businesses controlled by the president, vice-president and members of Congress from receiving government aid. Trump's hospitality businesses (hotels, resorts, golf clubs, etc.) may join a string of past corporate bankruptcies, but with no bailout this time, neither from Russia nor Deutsche. New York state is 30,000 ventilators short and yet Trump refused to release the 20,000 held in a strategic national stockpile, preferring each of the 50 states to find their own solutions. His base does care for cities, especially NYC. He declined to deploy the Defence Production Act which would allow him to force manufacturers to make more ventilators, as he does not want to put more undue pressure on business.

His re-election hinges on the economy and the stock market, on money and wealth, so these are his overriding priorities. In polling, 60% of Americans approve of his handling of the crisis so far. They presumably forgot about his assertion, when the case count was 15 (60 actually, when counting those repatriated), that cases had peaked and were then set to go down. Also, he claimed that a vaccine was imminent when the experts had said it was 12-18 months away. Dr Anthony Fauci, an expert,** has repeatedly corrected the president's exaggerated and incorrect statements, his false hope and fake promises. This week Fauci is far less visible and may have been sidelined for his articulate undermining of presidential opinion and power. However, by midweek many people were wondering if he might have used up his 15 minutes of fame and that the entire medical establishment may be guilty of overreach. Dr John Lee writes^^ that deaths attributable to Covid-19 in Q1 are 0.14% of expected global mortality, therefore the president's latest mantra that "the cure should not be worse than the problem" deserves consideration. In the UK as well. Shipping is unable to escape the turbulence caused by the virus as sale and purchase and demolition deals are hard to complete with crews quarantined and limited access to ports in countries under lockdown. This frustrates the much needed process of trimming fleet growth by seeing off older tonnage, principally bulk carriers, that can no longer pay their way. Nonetheless, in the year to 20 March, 43 bulkers of 4.46m-dwt were scrapped compared with 23/2.48m-dwt in Q1 2019, up 87% by number and 80% by capacity.

Regrettably, bulkers and containers are not having a good crisis, as any owner will tell you. Tankers, on the other hand, are benefiting from Saudi Arabia injecting the global market with excess oil supply. It is infecting the mighty US economy that until recently was riding high on the 'success' of its own exported toxin: mercantilism. Supertankers, as illustrated by the Baltic's VLCC-TCE, reached peak outbreak on Monday 16 March at \$264,072 per day. Since then, rates fell precipitously to a trough of \$89,227 on Tuesday before rebounding to \$96,909 on Wednesday and to \$111,538 yesterday. The Saudi Arabian virus spread globally and very quickly, being highly contagious, causing a knee-jerk reaction of egregious hoarding. Meanwhile, the benefits of scrubbing waned as oil prices and rates slumped. TD3C-TCE, AG/China on VLCC, also arrested its downward trajectory. Having sunk from a peak of \$250,354 on 16 March it stopped at \$88,742 on Tuesday, recovered to \$100,176 on Wednesday and to \$118,418 yesterday. Over the coming months we hope to see the signs of a gradual shift to normalisation of societal, market, economic and shipping behaviour, but we may never return to where we were. 3 months ago we were all set for a good 2020 in economic and shipping terms. No-one forecast a global pandemic, so beware of all forecasters, including the medical versions.

*According to the New York Times.

^This \$2tn in direct assistance is on top of \$4tn in Fed lending power.

**Director of the National Institute of Allergy and Infectious Diseases.

^^In the 28 March edition of The Spectator: "The moral debate is not lives vs money. It is lives vs lives."

Dry Cargo Chartering

The **BDI** dropped 69 points from last week to end play today at 556 points.

The **cape** market finished this week at \$3,675 dollars, down 392 dollars from last Friday. On Voyage, the usual 170,000mt 10% ore stem from Port Headland to Qingdao fixed at very low 4 dollars, with FMG and BHP Billiton. The same size stem, ore run from Dampier to Qingdao fixed just under \$4. The *Genco Maximus* fixed 170,000mt 10% from West Australia to Qingdao at \$4.25 with Cara Shipping. The *Dignity* fixed 170,000mt 10% from Kamsar to Yantai & Longkou at \$9.60 with Winning. On time charter, the *Seaforce* (181,110-dwt, 2015) fixed for delivery Zhoushan for a trip via West Australia redelivery Singapore-Japan range at \$6,750 with Oldendorff. The *KSL Sakura* a RWE relet (181,062-dwt, 2015) fixed delivery Shanghai for a trip via Pacific round redelivery Singapore-Japan range at \$5,500 with Panocean.

The **panamax** market fell again ending the week at \$6,563, down \$696 from last week's \$7,259. In the Atlantic, Daewoo fixed the scrubber fitted *Star Virginia* (81,061-dwt, 2015) for a trip with grains via East coast South America to Singapore-Japan at \$13,750 plus a \$375,000 bb, while Cargill took the *May* (78,802-dwt, 2009) delivery Port Talbot via the US East coast to India at \$13,500. Additionally, Bunge fixed the *Pacific Kindness* (82,177-dwt, 2011) delivery North coast South America for a trip to Italy with grains at \$10,500. Over in the Pacific, Louis Dreyfus took the *CL Tianjing* (81,315-dwt, 2016) delivery Tanjung Bin for a round voyage with grains via East coast South America at \$8,500. Cargill also fixed the *SBI Mazurka* (81,232-dwt, 2017) for a cargo of coal, delivery Mauban via Indonesia to India at \$5,000. The *Lake Dawn* (81,902-dwt, 2013) was taken in by Comerge on period for 1 year from 3rd April with worldwide trading at 112%

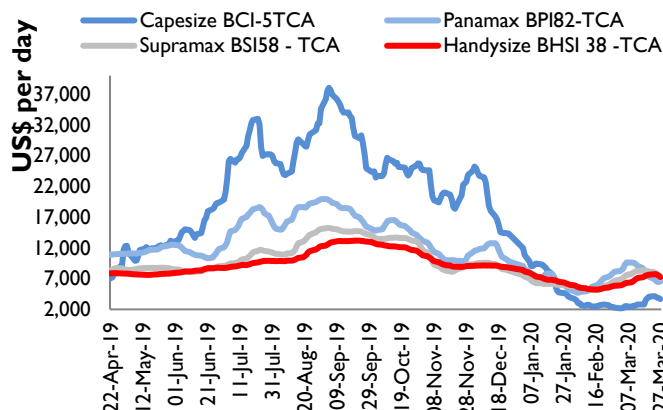
BDI74 index. Lastly on the voyage front, the Steel Authority of India fixed the *Priscilla Venture* (77,283-dwt, 2008) for a voyage via US East coast to East coast India at \$24.65pmt.

The **supramax** market this week is dropping sharply while many port closures were announced amidst worldwide COVID-19 outbreak. The BSI closed at \$7,054 down from last weeks \$8,146. In the Atlantic, *Nautical Anne* (63,593-dwt, 2016) fixed delivery US Gulf for a prompt trip redelivery Brazil at \$15,000. The *Kiran Caspian* (63,476-dwt, 2015) fixed delivery Santos for a trip redelivery Bangladesh at \$11,750 with \$250,000 bb. In the Pacific, *Sagar Shakti* (58,097-dwt, 2012) fixed delivery Prai for a trip redelivery South China at \$6,000 while the *FLC Happiness* (56,799-dwt, 2009) fixed delivery Qinzhou via Indonesia redelivery China with bauxite at \$7,000. The *Shandong Hai Da* (56,734-dwt, 2013) fixed delivery Xiamen for a trip via Indonesia redelivery Thailand at \$4,000.

Much of the same this week in the **handy** market with both basins lacking direction. The BHSI closed at \$7,224 down from last week at \$7,617. In the Atlantic, Suisat took *Qing Feng Ling* (34,650-dwt, 2013) delivery Rouen for a prompt trip redelivery Algeria at \$10,000. *Nestor I* (32,312-dwt, 2011) was fixed \$9,500 basis Southwest Pass for a trip with petcoke to Huelva. In the Pacific, Oldendorff took *Queen Island* (37,802-dwt, 2018) delivery Lanqiao for a trip via Australia redelivery far East at \$7,500. In the North, rates are generally hanging in the 4s for smaller handies and 5s for bigger ones. *Clipper Kamoshio* (32,226-dwt, 2009) was fixed delivery CJK for a trip redelivery metcoke at \$4,250. We heard a 32k-dwt fixed low-mid 4k Indonesia to East Coast India and a 33k-dwt fixing mid 4k Indonesia for an Australian round voyage. There was nothing to report on the period side of things.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Seabiscuit	82,624	2014	Singapore	28 March	India	5,600	Cnr	Via Indonesia with coal
Kypros Bravery	77,997	2015	Itaqui	08-15 April	Singapore-Jpn range	13,000	Cnr	\$300,000 bb
Harmony	75,615	2011	Mawan	25 March	Singapore-Jpn range	2,800	Tongli	Via Indonesia
Nautical Anne	66,593	2016	US Gulf	Ppt	Brazil	15,000	Cnr	Int. Petcoke
Sagar Shakti	58,097	2012	Pari	Ppt	South China	6,000	Cnr	
Marougoula	58,018	2013	Thailand	Ppt	AG	8,000	Cnr	
Fareast Harmony	56,756	2012	Xiamen	17-18 March	WC India	4,250	Delta Corp	Via Indonesia
Shandong Hai Da	56,734	2013	Xiamen	25 March	Thailand	4,000	Cnr	Via Indonesia
Qing Feng Ling	34,650	2013	Rouen	Ppt	Algeria	10,000	Suisat	Int. Grains
Clipper Kamoshio	32,226	2009	CJK	Ppt	Indonesia	4,250	Cnr	Int. Metcoke



Exchange Rates	This Week	Last week
JPY/USD	108.26	110.58
USD/EUR	1.0998	1.0710

Brent Oil Price	This Week	Last week
US\$/barrel	24.43	28.11

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	186.0	177.0
MGO	288.0	277.0
Rotterdam IFO	160.0	186.0
MGO	298.0	277.0

27 March 2020

Dry Bulk S&P

Today's market presents numerous challenges for essential processes in the sale & purchase of ships. Carrying out inspections, placing reps on board, changing crews and finding ports where you can deliver a vessel have become far more difficult than the market is accustomed to. Given these challenges it is no great surprise that the volume of sales to report is reduced.

These challenges are leading to lower levels of competition in the dry market which some Buyers are identifying as an opportunity believing deliveries can be arranged and the market improves in the coming months.

On the capes, rumours are circulating that Cido Shipping have committed two units *Great Challenger* (176,279-dwt, 2005 Universal, non-BWTS) and year-younger sister, *Great Navigator* (176,303-dwt 2006 Universal) for \$12.4m and \$14m respectively however we understand no deal has been formalised yet. The slightly younger *New Stage* (176,877-dwt, 2008 Namura) has reportedly seen three Greek Buyers inspect and could take offers next week.

Only one panamax bulker sale to report this week - Indonesian buyers Asian Bulk Logistics are understood to have purchased the Japanese controlled *Coral Amber*

(78,072-dwt 2012 Shin Kurushima) for region \$14.5m.

Indonesian buyers continue to lead the charge in the supramax sector. Further to our report last week, the latest understanding is that the *Bulk Chile* (55,486-dwt 2009 Kawasaki) has been withdrawn having seen a best offer in the high \$9m while the owners hold out for a figure into the 10s. Meanwhile the *African Kingfisher* (55,476-dwt, 2009 Kawasaki) is sold on subjects to a buyer from the same region, basis prompt delivery and surveys due, for region \$10m.

One older handymax is reported sold, the Greek controlled *Alexandros Theo* (45,659-dwt, 2000 TessCebu) going to Chinese Buyers for \$3.9m. Chinese Buyers appear to be ramping up their interest in tier II vessels and early to mid 2000s supras and panamaxs.

The only handy sale to report is *Clipper Kamoshio* (32,226-dwt, 2009 Kanda) sold to a Greek Buyer for \$7.3m. In line with the last done *Global Garland* (32,115-dwt, 2009 Hakodate) which sold in January in for \$7.4m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Coral Amber	78,072	2012	Shin Kurushima	-	Asia Bulk Logistics, Indonesia	\$14.5 m	
African Kingfisher	55,476	2009	Kawasaki	C 4x30	Indonesian	\$10.0 m	On subjects basis prompt del. & BWTS & surveys due
Alexandros Theo	45,659	2000	Tsuneishi HI	C 4x30	Chinese	\$3.9 m	Survey's due
Clipper Kamoshio	32,226	2009	Kanda Zosenho	C 4x31	Greeks	\$7.3 m	

Tanker Commentary

We have a fairly paltry list of sales to report this week. Earnings remain healthy for all segments of the crude and product fleets but these current turbulent times mean that buyers and sellers of modern units remain uncertain as to where the values sit. However for older, larger units there is competition. As many as ten buyers have registered to inspect the Japanese controlled VLCC *Yugawasan* (302,481-dwt, 2005 Mitsubishi HI) which is inviting offers early next week. While the average earnings for March on the BDTI VLCC TCE sit at \$111,000 for this month so far, a quick glance at the quarterly averages over the previous two years show that in half of them the market didn't get close to paying OPEX and only in the last quarter of 2019 would there have been any meaningful returns.

Small wonder that the older VLCCs are attractive, where a month or two of six figure daily income should see outstanding book values retreat to below scrap. It is tempting to say that prospects look good, but market participants must have appetite for risk

even with elderly units. Storage will continue so long as the Saudis keep pumping (we now have the steepest contango since January 2009 in the oil price futures curve) and there is no sign of peace breaking out between OPEC and their significant plus one, Russia. But as unexpected as the oil flood was, so could the pipes be switched off. It is difficult to do the sums as to which policy, cut or flood, is the most damaging to the Saudi economy.

In any case demand destruction in China and the rest of world would make a rapidly rising oil price an unlikely prospect. Final demand/consumption is set to correct by 15-20% from 100m-bpd to 80-85m-bpd in the short term. Ultimately there is a sour spot for tankers, where contango flattens and oil demand slumps. Less oil demand coupled with unwinding oil storage, means lower earnings in a VLCC fleet that expanded by a hefty 20m-dwt last year. For the moment owners are happy to make hay, and hopefully the markets will continue to flush cash into shipowners pockets.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Nobel Spirit	45,282	2001	Minaminippon	Chinese	\$7.0 m	
Winter Oak	13,114	2009	Sekwang	Singaporean	\$7.2 m	
Woolim Dragon	7,972	2002	Nokbong	Middle Eastern	\$8.75 m	

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