01 May 2020

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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THE BIGGER PICTURE

… He may just, "miraculously", disappear …

Source : The FT / Ingram Pinn

POINTS OF VIEW

It has been a data-filled week, and some very big moves reported, with more of that to come. Starting with Q1 2020 GDP reporting, we already knew that China's economy had shrunk 6.8% in the first quarter according to official figures. The eurozone contracted by 3.8% with its leading economies all in contraction mode: Germany -6.3%, France -5.8%, Spain -5.2% and Italy -4.7%. The non-EU UK is yet to release. Over the pond, the US economy shrank by 4.8% in the first quarter and is forecast to pull back 30% in Q2 as the quarter reflects the full impact of Covid-19. There were 3.8 million new unemployment claims in the US last week, taking the total to over 30 million unemployed in just six weeks, 20% of all working age adults. The virus infection rate in the US has reached 1.1 million people and the death count has soared to 63,000.* The campaign for Trump's re-election has pivoted to instructing Republicans to stop defending Trump's outbursts and instead focus on pinning the blame for Covid-19 entirely on China, including the horrible human and economic consequences. In his lengthy White House briefing on Thursday, the president claimed to have a high degree of confidence that the virus originated in the Wuhan Institute of Virology and that it was leaked, either accidentally or intentionally, and that no effort was made to contain it. Earlier in the day, the Office of the Director of National Intelligence stated that the virus was not man-made or genetically modified.^ This illustrates how Mr Trump is still at odds with his own intelligence services who he views as being in cahoots with the 'deep state', and the Chinese themselves, to oust him from office. The relevance of this to shipping and trade is that relations with China are set to get worse, not better, even as the Phase 1 deal is far from being implemented.

This is not providing any succour to bulk carriers. The larger ones are seeing a slight uptick in raw material movements, and steelmaking in China, but the smaller ones are suffering from a breakdown in global agricultural supply chains. In the US, abattoirs and meat processing plants are shut, as they are conduits for virus spread, leaving farmers no route to market. Cattle are being slaughtered as there is no place to keep them and no food to feed them. Sows are being injected to abort their piglets and chickens are being gassed by the thousands. The export of US soybeans to China is still at a trickle while those from Brazil and Argentina have been held up respectively by rains in the Matto Grosso and low water levels in the rivers Plate and Parana. Demand for SBM in China is still low as its pig herd recovers from a 40% loss to African swine fever. The Baltic's BCI-5TC, a proxy for average capesize earnings, rallied from $2,172 to $5,853 daily in March. The upward trend continued in April going from $5,899 to a peak of $10,081 on 20 April before sliding back to $7,702 by end April. The BPI82-TCA, a proxy for kamsarmax and panamax earnings, fell from $8,232 to $6,813 in March before starting April on $7,050 and ending it on $6,402. Demand will return as lockdowns are tapered around the globe and as supply chains are restored. Purchases of manufactured goods have been weak over the past two months as illustrated by 6-12m TC rates for a 2,750-teu unit sliding from $9,500 to $8,300 and a 8,500-teu unit collapsing from $27,000 to $17,500. Signs are that global port calls are on the rise, so we can hope that the worst is past.

The only bright spot has been tankers, although characterised by extreme volatility. The IEA estimates that global oil demand in April was down 29%, or 29m-bpd, on April 2019 and will be down an average of 9.3m-bpd in FY 2020. It expects global energy demand to decline 6% and carbon dioxide emissions to fall 8% this year. With this temporary supply glut, oil is piling up onshore and afloat. This week, Brent surged 40% from $20 to $28 a barrel on belief that oil demand and prices will recover as lockdowns ease. Its 10% rise on Wednesday caused tanker rates to plunge and the contango spread to narrow to $8 as punters saw storage unwinding. The VLCC-TCE fell 18.5% overnight from $140,096 to $114,200 daily and the shares of Scorpio, Teekay and Tsakos were down 16%, NAT off 14%, DHT down 10% and Euronav off 9%. Maybe retail investors are not clocking that this is a cash generation phase that should pay strong dividends, unlike Shell which cut its payout by two-thirds only to see its share price sink 11% yesterday and 7% today. Tanker executives said 4Q19 was good, 1Q20 was better, and 2Q20 is better still, so far. The big tanker owners advised investors not to worry: even our bad numbers are good.

*The US has recorded 63,000-Covid related deaths in 8 weeks compared with 58,000 US deaths in 8 years during the Vietnam war.

^The administration has instructed the secret services to continue to search for evidence that China is culpable.

Dry Cargo Chartering

The **BDI** closed today at 617 points down 134.

The **cape** market was down this week, ending at $7,263 down $2,612 from last Friday. On Voyage, Rio Tinto took two 170,000mt 10% ore stems from Dampier to Qingdao at $4.10pmt a piece, while Cara Shipping fixed the same stem on the *Enterprise Star* from Port Hedland to Qingdao at 5pence more. The Spring Bright was fixed 170,000mt 10% from Katagouma to Yantai & Longkou at $10.20 fio with Winning. On time Charter, the *Golden Shui* (169,332-dwt, 2009) a CCL relet fixed delivery south Taiwan for a prompt trip via Pacific redelivery China $9,750 with China Fancy. On period, the *Aliki* (180,235-dwt, 2005) fixed delivery Singapore for 8-11 months redelivery world-wide at $11300 with Koch Shipping.

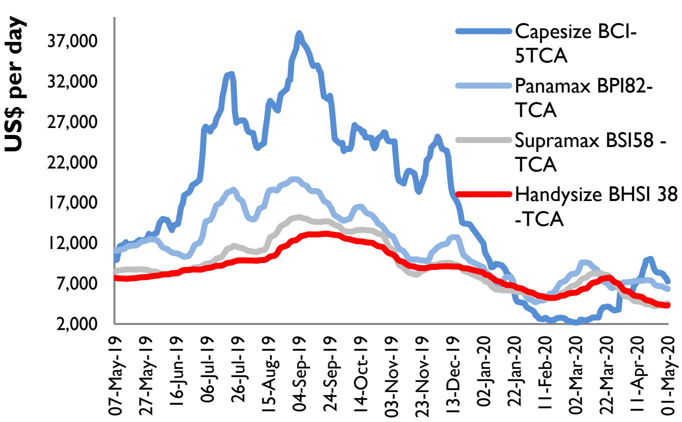
This week the **panamax** market fell slightly to $6,337, down $382 from last week's closing of $6,719. In the Atlantic, the *Miho Pracat* (79,964-dwt, 2008) was fixed by Bunge delivery North coast South America for a trip with grains to Skaw-Barcelona range at $8,000, while Atlantic Coal and Bulk took the *NBA Monet* (82,099-dwt, 2012) delivery Hamburg for a prompt trip with coal via Ust-Luga redelivery Skaw-Jorf Lasfar range at $4,500. Norden fixed the *Aeolian Vision* (80,650-dwt, 2011) delivery East coast South America for a grains trip towards the end of May to the Far East at $12,250 plus $225,000 bb. Over in the Pacific, Cargill took the *Doris* (76,596-dwt, 2006) delivery Dalian for a round trip via the North Pacific at $5,500, Panocean fixed the *Amalfi* (75,206-dwt, 2009) delivery Yosu for a prompt coal trip via Newcastle to South Korea at $4,100, and the *Ionic Katana* (82,936-dwt, 2005) was fixed delivery Mariveles for a prompt trip via Indonesia to South Korea at $5,250. Furthermore, a TBN vessel was fixed for a 70,000mt 10% Erdemir coal tender in June from Mobile, Alabama to Isdemir at $8.35pmt.

The **supramax** market made some positive noises this week with the index closing the week at $4,543, up from last weeks $4,269. In the Pacific, Uniwell fixed the *Shrike* (53,343-dwt, 2003) delivery Mumbai for a trip redelivery China with iron ore at $6,500. *Princess Margo* (63,500-dwt, 2015) delivery Richards Bay for a trip redelivery Arabian Gulf/WC India range at $8,000 plus $80,000 bb. In the Atlantic, Phaethon fixed the *Ilia* (58,018-dwt, 2009) delivery Canakkale for a trip via Black Sea redelivery China at $13,500. Ausca Shipping fixed the *Pacific Activity* (63,601-dwt, 2017) delivery South Brazil for a trip redelivery Singapore-Japan range at $11,500 plus $150,000 bb. *Doric Shogun* (63,347-dwt, 2016) fixed delivery Derince for a prompt trip via Black Sea redelivery west Africa with grains at $7,500.

The **BHSI** closed today at $4,305 down $635 from last week. The Atlantic remained flat with limited fresh cargo hitting the market. On the upside, optimists would claim the levels have bottomed out and we should begin to see an uptick in rates. East coast of South America showed slow signs of improving the while the US Gulf and the Continent have been under increasing pressure with surplus tonnage. The *Albatross* (25,028-dwt, 2011) fixed delivery Recalada for a trip redelivery US Gulf at $2,500 with Trithorn. The *Podlasie* (38,981-dwt, 2008) was heard to have fixed spot in Paranagua for a trip to West Mediterranean $4,500 with COFCO. A 38k-dwt was rumoured fixed basis Up River delivery for a trip to China at around $11,000. In the Mediterranean, the *Puck* (37,894-dwt, 2012) delivery Empedocle for a trip redelivery US East coast with salt at $5,000. The *Seastar Tradition* (30,465-dwt, 2009) fixed grains delivery Canakkale for a prompt trip redelivery Morocco at $4,000 with Norden. The *Shi Long Ling* (34,510-dwt, 2013) open Agadir was rumoured to have fixed into the Caribbean, no further details. In the East, another short week disturbed by holidays.. A 28,000-dwt open north China was fixed at $2,000 basis CIS for a short round trip. The *Anta* (47,305-dwt, 2002) fixed delivery Vizakhapatnam for a trip via East Coast India redelivery Arabian Gulf intention steels at $4,000 with Allianz Bulk. The *Greenery Sea* (35,214-dwt, 2012) was failed on subjects basis east Africa delivery for a trip to China at $6,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Navios Happiness	180,022	2009	Jingtang	29 April	China	5,000	Pacbulk	Via W. Australia
Peace Ark	93,192	2010	Inchon	3 May	Singa-Jpn range	5,000	CNR	Via Geraldton with iron ore
Maria Cristina Rizzo	87,334	2010	Hong Kong	24 April	Taiwan	4,000	CCX	Via Indonesia
Bonanza YR	76,453	2006	Retro sailing CJK	26 April	Singa-Jpn range	5,500	Cargill	Via North Pacific
Princess Margo	63,500	2015	Richards Bay	10 May	AG-WCI range	8,000	CNR	$80,000 ballast bonus
Great Spring	61,438	2017	Port Elizabeth	Ppt	China	11,000	CNR	$100,000 bb
Daisy Ocean	56,563	2010	Nansha	Ppt	North China	5,850	CNR	Via Philippines with nickel ore
Puck	37,894	2012	Empedocle	Ppt	US East Coast	5,000	CNR	With salt
Amalia	34,023	2011	US Gulf	Ppt	Morocco	4,000	Trithorn	
Albatross	25,028	2011	Recalada	Early May	US Gulf	2,500	Trithorn	



Exchange Rates	This Week	Last week
JPY/USD	106.63	107.52
USD/EUR	1.0982	1.0784

Brent Oil Price	This Week	Last week
US$/barrel	26.95	21.56

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	155.0	160.0
MGO	235.0	228.0
Rotterdam IFO	135.0	140.0
MGO	225.0	209.0

Dry Bulk S&P

The challenges we've highlighted in previous reports continue to effect deal turnover in the dry sale and purchase market. That being said, there has been more activity this week than in the previous two combined. Where there's a will there's a way, opportunities are there to be snaffled as values come under pressure.

China Steel Corp have reportedly sold one of their 18-year old CSBC capes. *China Steel Excellence* (175,775-dwt, 2002 CSBC) is rumoured sold for regions $8m to undisclosed buyers, including a BB structure. The last CSBC cape sold was *Norfolk* (164,218-dwt, 2002 CSBC), sold by Diana towards the end of January for $9.5m. *Paganini* (75,118-dwt, 2008 Hudong) has reportedly been sold to Greek buyers for $8,1m. The last similar aged Hudong panamax sold was *Afterhours* (74,456-dwt, 2007 Hudong), sold for $9m at the start of Q1.

Inspected by around four buyers, offers were invited yesterday on *Royal Epic* (56,026-dwt, 2008 Mitsui). Originally seeking $10m, we understand the best offers tabled were circa $7.5-$8m. These levels were seemingly not enough to stimulate owner's interest. As we understand the vessel has now been withdrawn.

We commented in last week's report that *Conti Peridot* (57,001-dwt, 2011 Sanfu) failed at around $7m. However, it's alleged a subsequent deal has now been concluded at a similar price. It represents a significant step down on the last sister vessel sold, *Vincent Gemma* (56,872-dwt, Sanfu), reported sold back in January for $10m. Rumours have also circulated this week of another 2011 Dolphin57 negotiating at similar levels. If confirmed, it highlights a serious correction in values for this sector of the supramax market.
Negotiations on *Asia Pearl III* and *Asia Pearl IV* (37,217-dwt, 2010 Nantong Changqingsha) have finally come to a head, they are rumoured sold for circa low $5m's per vessel. BWTS's are included in the sale, however not yet fitted and the vessels are SS due in July this year. It's understood there had been around seven buyers chasing the deal.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
China Steel Excellence	175,775	2002	China Shipbuilding Corp	-	Undisclosed	$8.0m	With BBHP
Paganini	75,118	2008	Hudong-Zhonghua	-	Greeks	$8.1m	
Conti Peridot	57,001	2011	Taizhou Sanfu	C 4x30	Undisclosed	Low $7m	
Asia Pearl IV	35,220	2010	Nantong Changqingsha	C 4x31	Undisclosed	Reg low $5m each	BWTS included (yet to be installed)
Asia Pearl III	35,217						

HARTLAND SHIPPING SERVICES

Tanker Commentary

It is no coincidence that out of the 19 total tanker sales we reported in April, 14 have been VLCCs all ranging between 15 and 22 years of age. Over the course of the last 30 days, our internal benchmark for a 15 year old VLCC has risen from $35m to $40m and a 20 year old from $25m to close to $30m set by the sale of the *Lucky Trader* (298,677-dwt, 2000 Hitachi Zosen) this week. Eastern Mediterranean Maritime positioned the vessel in India with very prompt delivery within a matter of weeks captivating buying interest and enabling them to achieve such an eyewatering price. The liquidity suggests that buyers perceive the best returns are obtainable in this sector whereas sellers are also taking the opportunity to cash in on their older assets while the sentiment is so positive.

Interestingly enough, this week bucks the trend with only the one lone VLCC in the sales table. That said, it is very much a crude theme which in light of the record earnings product tankers have been enjoying may come as a surprise to some. Ridgebury Tankers are reported to have disposed of vintage suezmaxes *Ridgebury Astari* and *Ridgebury Alina L* (149/164k-dwt, 2002/01 Nippon Kokan/Hyundai HI) for $19.5m and $18.5m respectively which is in line with other comparable transactions. Elsewhere in the aframax sector, *Pallas Orust* (114,809-dwt, 2004 Samsung HI) is rumoured sold to undisclosed buyers for $14m basis forward deliver in mid August. The sale illustrates the premium buyers are willing to pay for tonnage with prompt delivery when you contrast against the price of $15.75m the year older *Atlas Voyager* (115k-dwt, 2003 Sanoyas) obtained back in March.

The only product tanker sale this week is the D'Amico and Glencore controlled *Glenda Meredith* (46,147-dwt, 2010 HMD) which has been confirmed sold for $19m to undisclosed interests. The vessel has been one of a very limited number of MRs on the market of that age with SS passed and BWTS fitted. The owners had been hoping to achieve in excess of $20m which despite the buoyant freight market was not achievable. Does this raise questions that buyers do not see this market as being sustainable?

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Lucky Trader	298,677	2000	Hitachi Zosen	Onex DMCC	$30.0m	Prompt del in India
Ridgebury Alina L	164,626	2001	Hyundai HI	Undisclosed	$19.5m	
Ridgebury Astari	149,991	2002	Nippon Kokan KK		$18.5m	
Pallas Orust	114,809	2004	Samsung HI	Undisclosed	$14.0m	Basis del in Aug
Agathonissos	106,149	2002	Hyundai HI	Undisclosed	$13.0m each	
Makronissos	106,106					
Integrity	46,803	2004	Hyundai Mipo	Chinese	$9.0m	SS/DD overdue

Should you have any queries about the content of this report or require any services of Hartland Shipping Services, please contact:

Hartland Shipping Services Ltd, London
Tel: +44 20 3077 1600
Fax: +44 20 7240 9603
Email: chartuk@hartlandshipping.com
Email: snpuk@hartlandshipping.com
Email: consult@hartlandshipping.com

Hartland Shipping Services Ltd, Shanghai
Tel: +86 212 028 0618
Fax: +86 215 012 0694
Email: snpcn@hartlandshipping.com

Hartland Shipping Services Pte. Ltd, Singapore
Tel: +65 6702 0400
Email: chartops.sg@hartlandshipping.com