



“We may allow ourselves a brief period of rejoicing; but let us not forget for a moment the toil and efforts that lie ahead.”

*Winston Churchill
8th May 1945*

THE BIGGER PICTURE

... VE Day 75 ...



Source : The Royal British Legion

POINTS OF VIEW

Tomorrow is the 75th anniversary of Victory in Europe Day that marked the end of the Second World War in Europe. It comes as we find ourselves engaged in the early stages of another war; this time against a global pandemic that is invisible and little understood. As of yesterday, there were 3,748,959 confirmed cases and 263,146 deaths around the world. Voluntary national lockdowns and self isolation are the methods of choice to reduce the infection rate, although they tend to eclipse other fatal health issues and increase assorted mental health problems. The politicians, advised by medical experts and epidemiologists, face a stark choice of whether to prioritise livelihoods or lives, with the latter being the natural moral preference. Meanwhile, as this drags on untold damage is being done to national economies. In Q1, gross domestic product contracted 4.8% in the US, 6.8% in China and 3.8% in the eurozone. Q2 will be much worse, with the US forecast to shrink around 30%. Over the past seven weeks, 33.5 million Americans have claimed unemployment benefits. The EC has just released its GDP growth forecasts for 2020 which are all deep into negative territory. The EU itself is estimated to contract 7.4% this year, down from its previous forecast of 1.2% growth and a 4.5% shrinkage in post-GFC 2009. Greece is forecast to pull back 9.7%, Italy and Spain by over 9% each, France 8.5% and Germany 6.5%. Unemployment is expected to average around 9% across the entire bloc of 446 million inhabitants. The BoE says the UK shrank 3% in Q1, will shrink another 25% in Q2 and 14% this year. Economics really is a dismal science.

What should have been a joyous celebration, with street parties being held around the country, is instead overshadowed by a virus that is continuing to take people from us even as the Last Post will be played by buglers everywhere tomorrow. We may have to wait a little longer before the Reveille can be sounded once we have the measure of the coronavirus and can reawaken our economies. Ironically, the country where it all started is already coming back to life. In the first four months of 2020 Chinese imports of major commodities such as iron ore, coal, copper and crude oil are all up on a year-on-year basis, and are set to improve further in Q2. Iron ore imports came in at 95.71mt in April, up 11.4% month-on-month on March's 85.91mt and up 18.5% year-on-year on April 2019's 80.77mt. Of course, one must take into account the base effects of shut-in iron ore from IQ19's Brumadinho dam collapse in Brazil in January and Cyclone Veronica in Australia's Pilbara in March. In the first four months of 2020, China imported 358.40mt of iron ore which was up 5.3% on the 340.21mt in the first four months of 2019. The modest pick-up is down to a combination of factors: the construction season, boosted by stimulus measures, and a nation emerging from lockdowns and getting back to work. Capacity utilisation at blast furnaces in 247 mills covered by Mysteel rose for a 7th consecutive week to 81.7% as of 30 April from less than 74% on 15 March.

China's coal imports came in at 30.95mt in April, up 11% MoM on March's 27.83mt and up 22% YoY on April 2019's 25.30mt. The price of seaborne thermal coal was lower than domestic supply, helping to boost imports, while power demand has been steadily returning as the economy restarts. China imported 0.46mt of unwrought copper in April, up over 4% MoM on March's 0.44mt and up 14% YoY. In the first four months of 2020, it imported a total of 1.75mt which was over 10% up YoY. 2.03mt of copper concentrates were imported in April, up 14% on March's 1.78mt and up over 22% YoY on April 2019's 1.66mt. Lastly, China's crude oil imports came in at 9.84m-bpd in April, just up on March's 9.68m-bpd, but down 7.5% YoY on April 2019's 10.64m-bpd. In the Jan-Apr 2020 period, crude imports averaged 10.11m-bpd, 1.7% higher than the 9.94m-bpd in the same period in 2019. These are encouraging signs of economic recovery in China while illustrating how it has the storage capacity and financial strength to buy commodities on price weakness for future use. This week, Scorpio and Euronav reported strong net earnings in Q1, and good prospects for Q2, despite which all tanker stocks were heavily sold off on Wednesday after oil prices rebounded, the contango narrowed and spot earnings fell. Listed tanker companies are locked in an out-of-step dance with their investors, maybe questioning why they bother with the onerous reporting conditions while enjoying so few of the benefits of being listed. Meanwhile, we face VE Day 75 also locked in and out of step, with festivities likely to be less liberating than they should be.

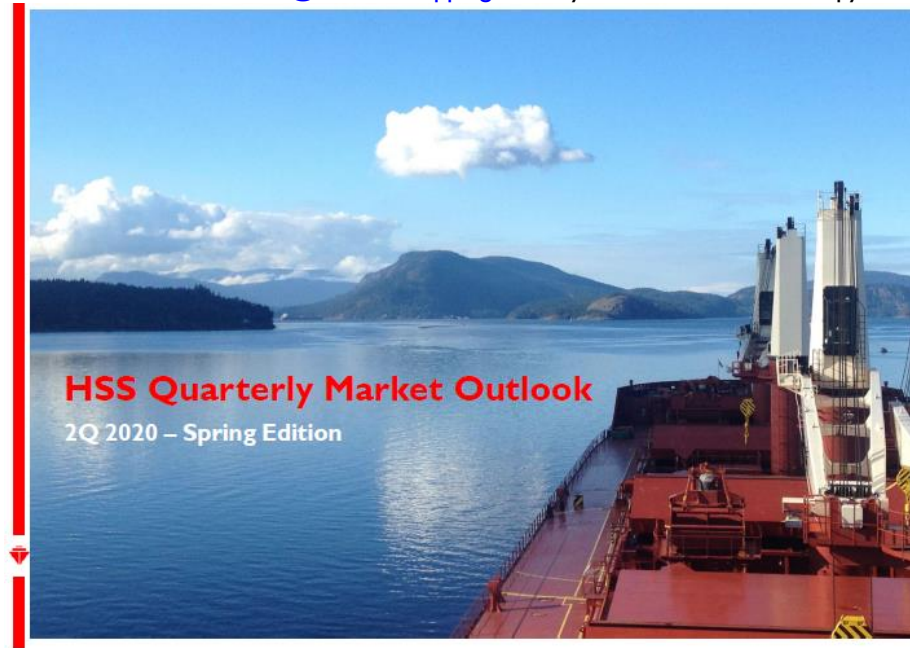
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Should you have any queries about the content of this report or require any services of Hartland Shipping Services, please contact:

**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

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