22 May 2020

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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Source : Visit Norfolk

POINTS OF VIEW

This week the WHO passed a resolution to conduct an "impartial, independent and comprehensive evaluation" into the international response to the coronavirus outbreak, known as Covid-19. It does not mention specifically investigating the origins of the virus, as the US wants, or the precise timing, as China wishes this to be deferred to after the virus is brought under control. In 2019, the US contributed $553m of the WHO's $6bn annual budget, about 9% of the total. China has just pledged to donate $2bn over 2 years in a move that is interpreted as an attempt to control the investigative process. President Trump must be irritated that the Chinese have taken a leaf out of his own tactical playbook and may realise that any investigation can only be as impartial, independent and comprehensive as the Chinese authorities will allow. Apart from the US, Australia has been strident in its calls for such an enquiry and is now set to suffer the retaliatory consequences. China has slapped a 5-year duration 80.5% import duty on Australian barley, used for brewing and animal feed, which will switch imports to other sources such as France, Canada and Argentina. Australia exports more than $1bn worth of barley a year to China, over half its production. China also announced that it will reduce coal imports in the second half of this year to protect its domestic suppliers. Thus, China's coal imports in 2H20 may fall 25% to 80mt from 107mt in 2H19 affecting Australian, Indonesian and Russian exporters already facing weaker CV-related power demand. Bulkers still face demand-side issues but will improve as we exit lockdowns. Tankers command more attention but are having more ups and downs than a Roller Coaster.

There are now more unemployed people in the US (38.6m) than there are citizens of Canada (37.7m). In the future we will look back on these days and assess how we did. We may know more about the origins of the virus in Wuhan and whether or not the Chinese authorities did everything they could to contain the outbreak, not just in China, but globally. We may work out why the UK was so slow to respond; at first going for mass immunity, and then switching to full lockdown after a scientist warned of 500,000 potential deaths. This scientist* was subsequently completely discredited both personally and professionally. In the US, the president derided Covid-19 as just a flu virus and was copied by his chum Bolsanaro in Brazil. They remain in denial even as the death count rises, and they are both taking an unproven Malaria vaccine that is thought to confer no benefits but add potential risks. Politicians have been quick to kowtow to the scientists who have enjoyed the limelight in exchange for being set up as political scapegoats should they not achieve results. Economists seem not to have been widely consulted and yet the scientific experts use similar unreliable data, forecasts, suppositions and scenarios that have made chancers of economists. Human beings are calculated risk-takers so very soon we need to get back to work and rediscover social life while managing any second phase outbreaks having had the time to adjust and the capacity to respond. Back to oil.

LLI counted 233.4mb of oil stored afloat on 191 tankers up to 18 May, up from 230.6mb on 181 tankers in the previous week, but down from the all-time record of 234.8mb in early May. VLCCs are the most used at 9.1% of the fleet with suezmax at 6.6% and aframax at 2.9%. Brent has rallied from as low as $20 to as high as $36 a barrel in the past month. The super contango has ended and some tankers are discharging their oil and returning to active duty. Frontline, in its Q1 results presentation, posted net income of $165.3m with average daily earnings of $74,800 for VLCC, $57,800 for suezmax and $31,200 for LR2. In its Q2 estimate it has 75% of VLCC days covered at $92,500 with suezmax 63% covered at $69,500 and LR2 53% done at $50,200 per day. It counts 711 VLCCs out of the global fleet of 815 as trading spot, leaving 13% in storage or otherwise engaged. Oil demand is regarded as suppressed rather than destroyed and future supply-demand dynamics are positive. Euronav** posted net income of $225.6m in Q1 with its VLCCs averaging $72,750 and its suezmax tankers averaging $65,400 on the spot market. By 7 May, it had 71% of spot VLCC days in Q2 covered at $95,000 and 57% of suezmax days fixed at $65,400 daily. The tanker party if set fair for Q2 before resurgent oil demand leads to stock drawdown and lower seaborne activity in Q3. Beyond that, once the dust has settled, we will see where the Roller Coaster is taking us.

*Professor Neil Ferguson, Imperial College London.

^Lloyds List Intelligence.

**Frontline: 21 VLCC, 29 Suezmax, 20 LR2.
Euronav: 48 VLCC, 25 Suezmax, 2 FSO.

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Dry Cargo Chartering

The **BDI** closed this week at 498 points, up from 407 last week.

The **capesize** market showed real signs of improvement and picked itself up from the floor gaining $1,746 from last week, leaving today's average time charter rate at $4,140. On voyage, the usual 170,000 10% ore stems from Dampier to Qingdao were covered by Rio Tinto at $4.60pmt on the *Delos* (175,157-dwt, 2012) and the *Angel II* (176,967-dwt, 2012). The *Olympic Hope* (182,631-dwt, 2016) fixed 170,000 / 10% from Port Hedland to Qingdao at $4.70pmt with BHP Billiton. In the Atlantic, Tata Steel fixed a To Be Nominated vessel for 160,000 10% from Itaguai to Ijmuiden at $3.10pmt. A K Line To Be Nominated vessel was rumoured to have fixed Rio Tinto for 170,000 / 10% iron ore from Seven Islands to Kawasaki 4-10 June at $11.75pmt. No time charter deals reported.

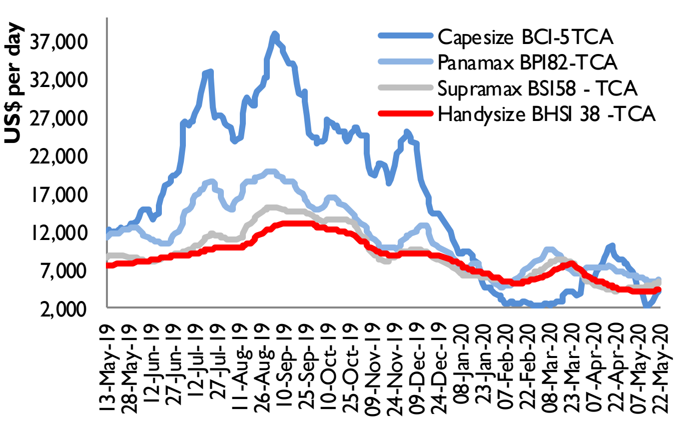
The **panamax** market recovered somewhat this week rising slightly to $5,718 up $294 from last week's closing of $5,424. In the Pacific, Bunge took the *Ionic Katana* (82,936-dwt, 2005) delivery Hosan for a trip via the North Pacific back to the Far East at $6,000, while the *Nefeli* (76,759-dwt, 2004) was fixed retro-sailing Ningbo for a prompt trip via Indonesia to Singapore-Japan by Kaishun at $5,000. Over in the Atlantic Ausca fixed several vessels for June front-haul grain trips from East coast South America, namely the *Kypros Land* (77,060-dwt, 2014) delivery Itaqui to Singapore-Japan at $11,600 plus $160,000 bb and the *Captain George* (82,140-dwt, 2013) delivery East coast South America to South-east Asia at $11,750 plus $175,000 bb. The *Prabhu Yuvika* (76,310-dwt, 2004) was fixed delivery Hamburg for a prompt trip via the Baltic to Skaw-Gibraltar range at just $2,200. On the period front, Cargill took in the *Leto* (81,297-dwt, 2010) delivery Yosu for 14-16 months at $9,000 with worldwide redelivery. Furthermore, a Pan Ocean To Be Nominated vessel was fixed for a 80,000 / 10% KEPCO coal tender from Tarahan to Boryeong at $5.83pmt.

A relatively firm market for **supramax** this week with the index finishing at $5,350. The Indian Ocean continued to see healthy rates at excess of $10k this week. The *Ocean Tianbo* (63,455-dwt, 2015) delivery Vung Tau fixed via East coast India redelivery China at $9,500. The *Ithomi* (56,441-dwt, 2011) was fixed delivery passing Singapore for a prompt trip via East coast India redelivery China at $9,000. Indonesia round voyages are paying $8k basis Singapore with some owners giving discounted rates to India. In the Atlantic, the *Amstel Eagle* (56,108-dwt, 2014) fixed delivery River Plate for a trip redelivery Mediterranean at $8,500 and the *Pan Spirit* (56,915-dwt, 2011) was fixed delivery Antwerp for a trip redelivery Turkey at $4,250. No reported fixtures on the period side.

An interesting week for the **handysize** vessels with the BHSI gaining $340, finishing the week at $4,487. In the Atlantic, there was little movement with an especially long tonnage list in the US Gulf. The Continent and Mediterranean markets remained rather flat, however there was a glimmer of hope with signs East coast South America was improving. There was a rumour that a 37k-dwt fixed $7,750 arrival pilot station Brazil for a trip to Egypt. The Pacific fared better this week with especially short tonnage lists in South East Asia. A 32k-dwt vessel open North Vietnam managed to achieve $4,000 for a trip via Vietnam to China with clinker. There was little reported activity on the period side of things, however with better sentiment in the market owners are now quoting their vessels at a flat rate without a discount to begin with.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Nikiland	93,251	2009	Jeju Island	15 May	Singa-Jpn range	6,000	Jiangsu Steamship	Via E. Australia
Ledra	83,987	2013	Haldia	21/22 May	Singa-Jpn range	9,500	Seacon	Via ECI
Jaguar Max	81,309	2012	New Orleans	1/10 June	Indonesia	11,500	Cargill	$150,000 ballast bonus
KM Singapore	80,559	2013	Hong Kong	25 May	China	7,000	Grand Fortune	Via Indonesia
New Emperor	76,585	2006	Qingdao	21 May	India	5,000	K Line	Via E. Australia with coal
Bulk Aries	60,200	2016	Fangcheng	19/20 May	S.E. Asia	6,500	Cnr	Via Indonesia
Pan Spirit	56,915	2011	Antwerp	21/22 May	Turkey	4,250	Cnr	With scrap
Ithomi	56,441	2011	Passing Singapore	Ppt	China	9,000	Cnr	Via ECI
Evans	53,507	2009	Paradip	22/27 May	China	11,000	Victory Shipping	Via ECI
Madonna III	53,390	2007	Map Ta Phut	Ppt	China	5,350	Cnr	With sands



Exchange Rates	This Week	Last week
JPY/USD	107.58	106.95
USD/EUR	1.0894	1.0844

Brent Oil Price	This Week	Last week
US$/barrel	34.50	31.71

Bunker Prices ($/tonne)		This week	Last week
Singapore	IFO	208.0	168.0
	MGO	306.0	246.0
Rotterdam	IFO	185.0	160.0
	MGO	256.0	247.0

Dry Bulk S&P

Next Monday restaurants re-open in Athens. Interned in their homes for two, long, stressful and anxious months, shipowners will be able at last to order favourite dishes at favoured restaurants in the relaxed company of friends. When they stand up from the table their view of the world will have been altered. We are all adjusting to a novel threat and all of us are re-calibrating our assessment of risk at different speeds. But after grilled fish and a bottle of Assyrtiko, most will conclude that the new normal is workable, that there is space for optimism, that the business is still there and has the capacity for recovery; and that asset values have fallen significantly since the last time they ate out.

A number of buyers, possibly more than five, stepped for the Japanese-controlled capesize *Cape Baltic* (177,536-dwt, 2005 Mitsui). We understand she is tied up to Indonesian buyers on subjects at around $10.75m. She has surveys and BWTS installation due in a few months, so considering the state of the freight and scrap markets, this is a healthy price.

Old panamaxes continue to attract Chinese buying interest. *Gulf Trader* (75,214-dwt, 2002 Hitachi) is sold with her surveys freshly passed at a slightly softer $5.2m.

Distressed sales from German banks of Dolphin57 types has made life difficult for sellers of middle aged supras. The Vietnamese built *Bomar Oyster* (56,548-dwt, 2010 Nam Trieu) is reported sold for something in the $6.5-7m range, with her surveys due.

Finally three Korean built handies are sold for widely differing values. *Baltic Breeze* and *Genco Bay* (34,300-dwt, 2010 SPP) are reported for a firm $16m each, with surveys and BWTS due. In contrast *Sam Panther* (33,395-dwt, 2010 Orient) could only manage $6.9m – much more in line with last done.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Gulf Trader	75,214	2002	Hitachi Zosen	-	Chinese	$5.2m	
Bomar Oyster	56,548	2010	Nam Trieu Shipbuilding	C 4x30	Germans	Mid/High $6/7 m	
Swiftness Sharpness	35,510	2015	Tsuneishi HI	C 4x30	Erasmus	$13.0m each	
Baltic Breeze Genco Bay	34,386 34,295	2010	SPP	C 4x35	Undisclosed	$16m enbloc	BWTS contract novated but not installed, SS due
Sam Panther	33,395	2010	Orient	C 4x30	Undisclosed	$6.9m	

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Tanker Commentary

As the price of Brent & WTI gradually return to more 'normal' levels, both crude and product rates have stepped down from the eye watering numbers seen only a few weeks back. The word on the lips of most protagonists whether from owners, charterers or buyers is "uncertainty" which has resulted in a cooling of activity. Buyers are holding back from offering, anticipating more competitively priced assets will present themselves where as charterers appear unwilling to take a position with both spot and period markets under increased pressure. Subsequently rather than sales being reported, we are hearing greater numbers of deals failing, the majority of which are in the crude sector with end users walking away leaving buyers red faced.

Of the sales that we are reporting, the panamax segment is taking centre stage and the deepwell type *Amazon Gladiator* (72k-dwt, 2001 HHI) has been committed at $9.3m - no buyer has been mentioned. Meanwhile the Chinese built pumproom design *Chemtrans Nova* (73k-dwt, 2006 New Century) has been sold for $11.6m – this could be considered slightly firm, given the Japanese built *Eternal Diligence* (74k-dwt, 2006 Onomichi) was sold for $11.5m last month.

In the MR1 sector, D'Amico announced this week that they have sold their *Cielo Di Guangzhou* (38k-dwt, 2006 GSI) for $8.8m to undisclosed buyers. The last GSI design sold was the *Ribe Maersk* (34k-dwt, 2004 GSI) to Indonesians for $8m only last month. It could be argued the D'Amico sale is in line with last done, once the smaller design and age difference is taken into account.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Chemtrans Nova	73,870	2006	New Century	Undisclosed	$11.6m	
Amazon Gladiator	72,910	2001	Hyundai HI	Undisclosed	$9.3m	
Cielo Di Guangzhou	38,877	2006	GSI	Undisclosed	$8.8m	
Prem	36,032	2001	Daedong	Undisclosed	$6m	

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