12 June 2020

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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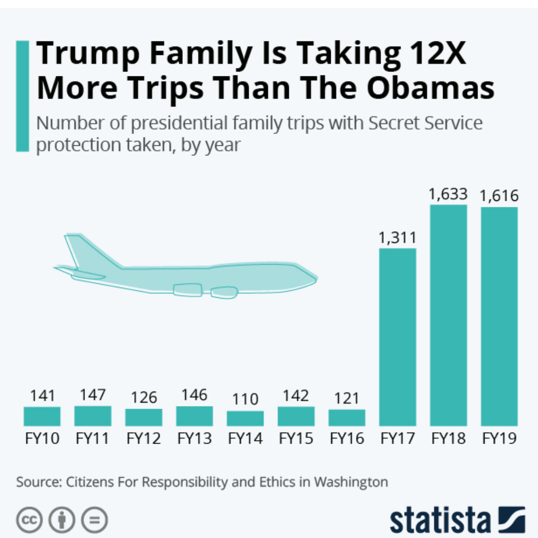
THE BIGGER PICTURE

… High Maintenance …
in every sense



Source : Statista

*If he gets elected, Joe Biden may seize the opportunity for a radical FDR "New Deal" moment, but it is considered unlikely that he will.

^The US Treasury's Office of Foreign Assets Control can block the ship's owners from access to the US financial system.

POINTS OF VIEW

The incumbent US president is seeing his popularity slide in the polls as his conservative firebrand politics are proving ill-suited to our times. Meanwhile, his democrat opponent, Joe Biden, is finding his moderate brand of compassionate pro-labour politics is gaining traction.* The president's unilateral approach, and his disdain for experts and institutions, seem to be the wrong choices when faced with a pandemic, an economic meltdown and mass protests across American cities. Mr Trump prefers one-on-one contests with his perceived opponents in the belief that he and the US will always win. This calculation is flawed as America's opponents, even if 'weaker', have many ways to counter-attack. Mike Pompeo, the secretary of state, this month called time on a 6-month period of grace for shipping companies doing business with Venezuela. US sanctions on Venezuela and Iran have only brought these two countries closer as a fleet of five Iranian product tankers is currently in the process of delivering much needed gasoline to blockaded Caracas. The Maduro regime is also strengthening its ties with Cuba, another US-blacklisted nation. China and Russia, both major Venezuelan creditors, are subject to a vast array of US tariffs and assorted sanctions. Unperturbed, the US is also limbering up to take on the European automotive industry, which is already reeling from Covid-19. At a time when we sorely need global unity, the president is instead taking on the whole world in an attempt to divide and rule. It is a significant other factor in weaker shipping demand.

Lloyds List reports that 78% of all oil shipments from Venezuela over the past 12 months were carried on ships linked to Greek owners. Three prominent Greek owners have been named as having carried over 50% of Venezuela's crude exports last month. The US has identified over 40 tankers involved in the Venezuelan oil trade and these may face action under Ofac rules.^ At the end of last year, two Cosco Dalian tanker owners were effectively blacklisted for having traded with Iran. Simultaneously, tankers that had traded with Venezuela in the previous 12 months were boycotted by oil companies and traders. We could be looking at another round of ship and company blacklists that would reduce the size of the employable fleet. This may prove helpful to the rest of the fleet at a time of weak, but recovering, global oil demand and the unwinding of floating storage. But any such controversial steps seem unlikely and serve to highlight the politicisation of tankers. VLCC earnings have fallen from levels over $200,000 a day to stabilise in the mid $30,000s. 20-year old VLCCs are in apparent demand, having declined 10% in value from their recent $30 million peak, allegedly for trading to the aforementioned US-sanctioned countries. Premium rates are on offer and a Chinese buyer may not respect unilaterally imposed US rules when America and China are already in bilateral disputes on most things. Access to the dollar trading system is a big stick to wield, but China is working on alternatives, as are all other countries that would like to reduce US global influence.

While tankers have come off astonishing highs, bulk carriers are finally coming off painful lows. There is a sense of anticipation in the dry bulk sector which has seen 5-year old values decline on average 10% since the start of this year. The dawning perception is that good value is now available and that the market will continue recovering in 2H20 and in 2021. On June 1, the BCI-5TC was at a lowly $3,648 daily since when it has shot up to $12,410 daily today, 3.4-times higher. On June 1, the BCI futures for 3Q20 were at $11,725 with 4Q20 at $13,900 and Cal21 at $12,194. Today, 3Q20 is at $16,018 with 4Q20 at $15,881 and Cal21 is up to $13,246 daily. China is buying all the high quality iron ore it can from Brazil and Australia while, given prices at 10-month highs of over $100 pmt CFR China, it is also buying cheaper and lower quality supplies from other sources such as India. All the other dry bulk segments are up in June to date: the BPI82 up 10% from $6,991 to $7,665 daily; the BSI58 up 20% from $5,465 to $6,563 daily; and the BHSI up 17% from $4,934 to $5,777 daily. China is rebuilding depleted stocks of iron ore, coal, grains and soybeans which is lifting all boats even as other parts of the world are proving slow to rekindle demand as they emerge bleary-eyed from lockdowns. In due course, they will add to resurgent demand for dry bulk commodities, while the bulk carrier orderbook is at an historic low of 8% before factoring in slippage and scrapping.

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Dry Cargo Chartering

The **BDI** closed today at 923 points, up 244 points from last week.

The **capesize** market spearheaded the recent dry bulk market surge in rates, as the daily index jumped $5,103 from last week's close of play today to finish the week at $12,410. On voyage, Five Ocean fixed a To Be Nominated vessel for 190,000 mtons 10% from Port Hedland to Gwangyang at $4.90 with POSCO. Panocean took an ETCP ship for 170,000 mtons 10% on the usual Turbarao to Qingdao ore run at $14,15. KEPCO fixed a couple of 130,000 mtons 10% ore runs from Newcastle to Boryeong at $8.15 apiece. On time charter, the *Eastern Glory* (177,325-dwt, 2004) fixed delivery Qingdao for a trip via East Australia redelivery Singapore-Japan range at $7,500 with Richland. The *Seamate* (177,775-dwt, 2010) fixed delivery Huanghua for a trip via Pacific redelivery Singapore-Japan range at $9,750 with Jiangsu.

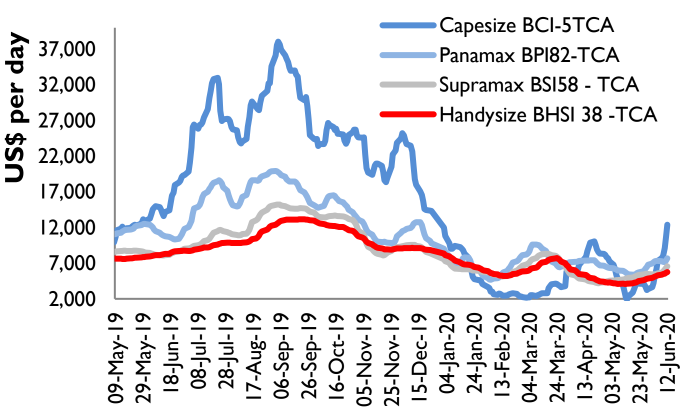
The **panamax** market continued to rise this week to $7,665 up from last week's closing of $7,324. In the Indian Ocean, Fastfreight took the *Ismene* (77,901-dwt, 2013) delivery aps Richards Bay for a trip with coal to India at $11,500 plus a $200,000 ballast bonus, while in the Atlantic Pacific Basin fixed the Glencore relet *Amadeus* (81,676-dwt, 2016) delivery North Brazil for a grains trip to Turkey at $8,200. This week saw a sustained interest out of South America for trips to the Far East with Raffles taking the *Omicron Trader* (76,623-dwt, 2001) at $12,650 plus a $265,000 bb and Olam fixing the scrubber fitted *JY Hongkong* (80,000-dwt, 2019) delivery Singapore at $11,000, both trips with grains. Over in the Pacific, the *Glyfada I* (75,639-dwt, 2009) fixed delivery Sendai via the North Pacific redelivery Far East at $7,000. On the period front, Oldendorff took in the *Xin Hong* (82,226-dwt, 2013) delivery Qinhuangdao for 12 months at $9,500 with worldwide redelivery. Also a To Be Nominated Efe vessel was fixed for a Yilmar coal stem of 75,000 mtons 5% from Vysotsk to Iskenderun and Rota at $9.50 pmt.

The **supramax** market remained positive across all basins especially strong in the US Gulf and East coast South America. The BSI closed at $6,563 up from last weeks $5,350. In the Atlantic, the *Feng He Hai* (63,244-dwt, 2016) fixed delivery US Gulf for a trip redelivery Thailand at $15,500, while the *Stilianos K* (55,625-dwt, 2010) fixed delivery US Gulf for a trip redelivery India with petcoke at $15,000. The *IMZ Europe* (56,771-dwt, 2011) fixed delivery Recalada for a trip redelivery Algeria at $8,000. In the Indian Ocean, the *Belfuji* (63,468-dwt, 2020) fixed delivery Chittagong for a trip via East coast India redelivery China at $14,500. The *JPS Barcelona* (55,548-dwt, 2010) fixed delivery Chittagong for a trip via East coast India redelivery China at $13,500. In the Pacific, the *Red Jacket* (52,224-dwt, 2008) fixed delivery CJK for a prompt trip via Indonesia back to CJK at $6,250, while the *Bulk Friendship* (58,738-dwt, 2011) fixed delivery CJK for a prompt trip redelivery South Vietnam at $6,150.

A happier albeit confusing week for the **handysize** market with very encouraging signs in the Pacific. The index increased to end the week at $5,777. The Atlantic market remained rather uneventful with a 37k-dwt delivery South Brazil fixing low-mid $7k for trip to Continent-Baltic range while the *St.Peter* (32,688-dwt, 2009) fixed delivery North France for a trip to West Mediterranean at $4,500. We were told that in East coast India 5 supramax Tata steels parcels were split into 10 handysize parcels instantly swiping whatever tonnage was available off the market. This had a knock-on effect with South-east Asia handies now being deployed to load steels in East coast India. The *Vento Grecale* (29,572-dwt, 2008) was fixed delivery East coast India for a trip to China at a cool $9,500 while a 29k-dwt delivery South Vietnam was fixed for a trip via East coast India redelivery China at $5,000. We also heard a 34k-dwt fixed at $7,500 delivery Songxia for a coal trip back to Hong Kong. Additionally, the period market has been bustling with activity as operators gain confidence in the market. Union bulk took the *Feisty Karen* (32,474-dwt, 2002) delivery passing Maceio for 3 to 5 months at $6,000 for 90 days and $6,500 thereafter. We also heard a 33k-dwt fixed $7,000 delivery Thailand for 2-3 laden legs and a 34k-dwt fixed low $6k delivery Far East for short period.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Seamate	177,775	2010	Huanghau	15 June	Singa-Jpn	9,750	Jiangsu	Via Pacific
Eastern Glory	177,325	2004	Qingdao	10 June	Singa-Jpn	7,500	Richland	Via East Australia
MBA Giuseppe	82,256	2010	Ningbo	Ppt	Worldwide	10,250	Cargill	10-13 months
Daisy Glory	82,058	2019	NCSA	20-30 June	Singa-Jpn	13,000	Cargill	$300,000 ballast bonus
DL Adonis	79,329	2010	Fangcheng	13-15 June	South China	6,750	Cnr	Via Indonesia
Great Comfort	63,497	2016	Mombasa	11-12 June	Pakistan	12,000	PCL	Via Richard Bay, $220,000 ballast bonus
LMZ Europe	56,771	2011	Recalada	Mid June	Algeria	8,000	Cnr	
Red Jacket	52,224	2008	CJK	Ppt	CJK	6,250	Cnr	Via Indonesia
Duke	45,320	1995	Passing Pusan	13-14 June	Pohang	5,500	Cnr	Via CIS
St. Peter	32,688	2009	North France	Ppt	West Med	4,500	Cnr	With grain



Exchange Rates	This Week	Last week
JPY/USD	107.28	109.20
USD/EUR	1.1314	1.133

Brent Oil Price	This Week	Last week
US$/barrel	38.94	42.15

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	247.0	247.0
MGO	337.0	325.0
Rotterdam IFO	219.0	240.0
MGO	313.0	315.0

Dry Bulk S&P

As earnings increase from handies through to capes for the second week in a row, buying sentiment and activity is likewise on the up. A sense of enthusiasm and interest appears to have returned to the market. Buyers are looking to capitalise on asset prices, driven down over the past few months by soft earnings and the challenges caused by Covid-19.

Nisshin are reported to have sold their modern eco Kamsarmax, *Western Monaco* (81,112-dwt, 2016 Hantong) for $18m. It's the first kamsar sale of this ilk since Scorpio sold *SBI Bolero* (82,210-dwt, 2015 Hudong) to Greeks for $19m back in March. The sale provides a much needed benchmark and unsurprisingly shows a drop in values. Another Nisshin deal also features this week, *NY Trader II* (37,054-dwt, 2014 Onomichi) has reportedly gone to Tri Bulk Greece, for $12.65m. On the face of it a soft price, however her 10.85m draft and relatively heavy consumption make her less appealing than other large, modern Japanese handies.

Buyers from all over the world appear to have interest in Japanese supras around the fifteen year old mark. With Greeks, Chinese and Indonesian reportedly all competing on several units. The German controlled *Helen Selmer* (55,741-dwt, 2005 Mitsui) is rumoured sold for $6.35m to undisclosed. Despite her smaller size, *Odiris* (53,466-dwt, 2005 Imabari) is reported sold for $6.6m to Greek buyers.

Chinese Buyers continue to pick off Dolphin 57s. Having been on the market for a year, *Bravo V* (56,942-dwt, 2010 Zhejiang Zhenghe) has reportedly found a Buyer for $6.5m. In line with recent sales and vessels found in a similar condition.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Aquaglory	171,015	2003	Sasebo HI	Gearless	Jiangsu Steamship	$9.5-10m	
JP Magenta	88,174	2005	Imabari	Gearless	Greeks	$7.50m	Six offers received
Western Monaco	81,112	2016	Jiangsu New Hantong	Gearless	undisclosed	$18.00m	
Atlantic Eagle	74,086	2001	Daewoo	C 4x30T	Chinese	$7.50m	
Bravo V	56,942	2010	Zhejiang Zhenghe	C 4x36T	undisclosed	$6.50m	
Helene Selmer	55,741	2005	Mitsui Eng.	C 4x30T	undisclosed	$6.35m	
Odiris	53,466	2005	Imabari	C 4x31T	S Bulkers	$6.60m	
NY Trader II	37,054	2014	Onomichi	C 4x30T	Tri Bulk	$12.65m	
Ikaria Island	32,211	1997	Onomichi	C 4x30T	Lebanese	$3.40m	
Inaba	20,145	2008	Shitanoe	C 2x50T C 1x30T	undisclosed	$4.00m	

Tanker Commentary

OPEC supply cuts have been attempting to control the oil price to stop it falling off a cliff. Despite an apparent recovery over the last few weeks, on Thursday we saw one of the most dramatic collapses in the price since late April. These moves in price appear to be reflective of the US equity markets, whose recovery had appeared 'too good to be true', but have since taken a turn, with a number of shipping stocks performing worse than the market.

As China 'gets back to work', record imports of oil have been reported, this is due to increased business activity and more vehicles on the roads. The effect on the consumption of refined products is potentially substantial, which is perhaps why demand is recovering in China. As everyone goes back to work across the globe, we may see a larger proportion of people following the form of the Chinese and driving to work rather than using public transport. This point of view is supported by the reports of an armada of VLCC's expecting to arrive in China before the middle of august.

Whilst there is a lack of activity in modern units, there are transactions taking place with older vessels. In the past week we understand that another 2000 built VLCC, *Kalamos* (281,037-dwt, 2000 Ishikawajma-Harima) has been committed to Chinese storage buyers at $25m with prompt delivery Singapore. This has come off by over 15% when compared to the *Lucky Trader* (298,677-dwt, 2000 Hitachi Zosen) which sold in the height of the market at the end of April for $30m.

In the MR sector, the high specification chemical carrier *Gulf Mirdif* (46,011-dwt, 2010 SLS) has been reported sold to Chinese buyers for $19m with SS due. It is understood that the 29 grade vessel was awarded a tender for Xylene cargoes. The sale is more or less in line with the *Glenda Meredith* (46,147-dwt, 2010 Hyundai Mipo), which sold at the beginning of May for $19m with BWTS fitted and SS passed.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Kalamos	281,037	2000	Ishikawajima-Harima	Chinese	$25.00m	conversation/storage buyer-basis prompt delivery Singapore
Gulf Mirdif	46,011	2010	SLS	Chinese	$19.00m	29 grade chem tanker
Valle Di Castiglia	42,721	2001	Hyundai Mipo	undisclosed	$7-7.6m	
Southern Dragon	12,648	2008	Shitanoe	Far Eastern	$8.15m	

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