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THE BIGGER PICTURE

... The Cape Crusaders Are Back ...



Source : Lloyds List

POINTS OF VIEW

John Bolton's leaked memoir "The Room Where It Happened" tells us some things we already knew and quite a few things that we did not. We knew that the president is "stunningly uninformed" and that he asked Ukraine to investigate his political opponent, Joe Biden. We did not know that he was unaware that the UK is a nuclear power, or that he thought invading Venezuela would be "cool" as it was "really part of the US", or that he had begged President Xi Jinping of China to help his re-election chances by buying large volumes of wheat and soybeans from farmers in US critical states. The floundering phase one deal* has gained in significance, if not in stature, as China is now doing its level best to undermine Trump's support base by buying from Brazil, Argentina and other non-US suppliers. Bolton claimed that Trump approved of Xi building concentration camps for Uighur Muslims and saw every significant Trump decision made during his 17-month White House tenure as being driven by re-election calculations. He wrote that the US had no strategy for dealing with China and that policy was created in a "completely chaotic way". Naturally, the president has slammed the book and attacked Bolton. The book's assertions seem credible, coming from the president's closest adviser at the time,[^] and Trump's thin-skinned response is a typical put-down of anyone who has crossed him. His sole focus and only plan is to get re-elected in November but, as Mike Tyson famously said, "everyone has a plan until they get punched in the mouth".

US relations with the rest of the world show no signs of improving which simply creates a more complicated backdrop for shipping and trade at a time of massive economic loss and disruption caused by Covid-19. Yesterday, Washington unilaterally pulled out of OECD-led global negotiations on digital services taxes after reaching what it claimed was an impasse. The EU and UK have stated the intent to go ahead with their own DSTs in what amounts to an escalating dispute and potential transatlantic trade war.** Not to be outdone by Treasury Secretary, Steve Mnuchin, the most senior US trade official, Robert Lighthizer, yesterday declared the WTO a mess and said that it has "failed America and failed the international trading system". At the heart of the US position is its view that the WTO is unable or unprepared to discipline one extremely large state-run economy, namely China, which joined the club at the end of 2001. The US blames the WTO for allowing China to get away with unfair trade practices, deriving all of the benefits but paying none of the costs of club membership. The WTO's appellate body, that oversees dispute settlement, ceased to function six months ago after the US blocked the appointment of new judges to replace those who were retiring. The America First policy dictates that foreign countries cannot apply taxes on thrifty US technology companies, but they must open up to hormone-injected beef and chlorinated chicken, while stripping all Huawei products from their 3G, 4G and 5G networks. Some might call that bullying.

The four horsemen of the apocalypse have borne down upon us but shipping just keeps on going, despite the plight of tired crews stuck at sea, the spotlight shifting from tankers to bulkers. Last Friday, the BCI-5TC closed on \$12,410 daily, today it has doubled to \$25,511 in what is a tectonic shift in sentiment. The BFA Capesize was at \$16,018/Q3, \$15,881/Q4 and \$13,246/Cal21. By Wednesday close we hit a BFA peak of \$19,678/Q3, \$17,072/Q4 and \$13,771/Cal21 before 3+4Q20 each closed about a \$1,000 lower today. China is buying up all the iron ore that Australia can supply as it replenishes its depleted stocks. In the past two weeks the Baltic has reported 22 voyage fixtures to China from Australia, 10 from Brazil, 3 from S. Africa, 2 from Norway and one each from Canada, Malaysia and Oman. Diversification of supply attests to output problems in Brazil, which are improving, and the fungibility of markets as new long-haul routes are created by spot price arbitrage. Port Hedland sent 43mt of iron ore to China in May, up 14% YoY, while in Jan-May it exported 190mt, up 10% on 172mt in Jan-May 2019. Capes are staying in the Pacific, where the action is, which is putting a squeeze on Atlantic liftings until more ballasters are enticed to head west where Colombian coal and Guinean bauxite stems are supporting capesize rates. This week's strong spot market capesize rally sets us up nicely a much-anticipated stronger second half. In the meantime, let us hope that it will soon be easier for ship crews to be repatriated and reunited with their families.

*This week, in a clandestine meeting in Hawaii, between US Secretary of State Mike Pompeo and China's top trade official Yang Jiechi, China allegedly vowed to honour all its phase one obligations.

[^]He was national security adviser. He was not called to testify at the Trump impeachment enquiry, allowing him to hold back the details for a book and a \$2 million payday if it gets to go public. Well it is now.

**The US and EU/UK are already at loggerheads over access to European markets for US agricultural products which are being blocked based on 'standards', seen in the US as thinly veiled protectionism.

Dry Cargo Chartering

The **capex** took the biggest piece of the shipping cake this week with all the toppings, closing at more than double the value of the week before; \$25,511, up from last weeks \$12,410. This included a single day rise of \$6,244 on Thursday, a new record. It will be a slice that many cape owners will be enjoying. Most of the action came from the Atlantic with iron exports from Tubarao increasing dramatically. Pacific Bulk fixed the *Maran TBN* for 170,000/10% iron ore from Tubarao to Qingdao at \$19.75. Trafigura fixed the *Mojo* for Sudeste/Qingdao at \$20 for 170,000/10%. In the Pacific, Richland fixed the *Maran Mariner* (179,700-dwt, 2011) delivery Rizhao for a trip via east Australia redelivery China at \$20,000.

This week saw a surge in the **panamax** market with the BPI rising to \$10,603 up significantly from last week's closing of \$7,665. Strong rates were seen out of the Atlantic for front haul trips with the *W Pacific* (82,000-dwt, 2013) reportedly fixing at \$13,250 plus a \$325,000 bb for a grains trip delivery East coast South America to Singapore-Japan range. Additionally, Jera took the scrubber fitted *SBI Conga* (81,167-dwt, 2015) delivery La Spezia for a trip via the US east coast and Panama to Japan at \$16,500, while Glencore fixed the Polish vessel *Jawor* (79,694-dwt, 2010) delivery El Dekheila for a trip via the Black Sea redelivery Mediterranean at \$7,500. Over in the Pacific, the *Great Talent* (76,773-dwt, 2005) was fixed by Tongli delivery Yuhuan for a trip via West Australia back to China at \$8,000. A great deal of period interest was also seen, with the *Ajax* (77,328-dwt, 2006) being taken in by Oldendorff delivery Busan for 5-8 months at \$10,500 with worldwide redelivery. On the voyage front, a To Be Nominated vessel was fixed by the Steel Authority of India for a 75,000 mtons 10% coal stem from Gladstone to Visakhapatnam at \$12.65 pmt.

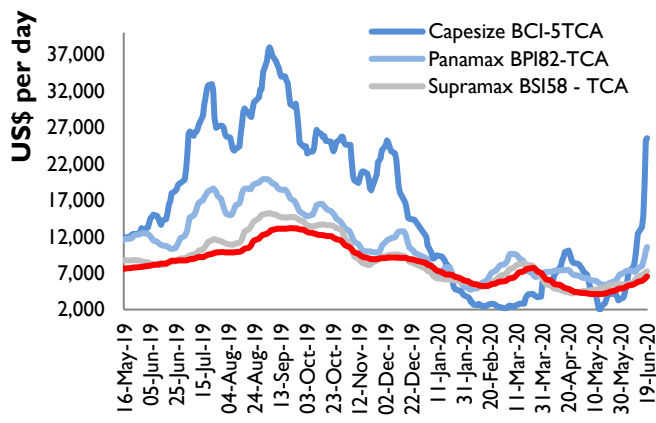
The **supramax** market keeps the upward trend with better rates seen

across all basins. The BSI closed at \$7,230 up from last weeks \$6,563. In the Atlantic, *Kaptan Arif Bayraktar* (57,453-dwt, 2010) fixed delivery Antwerp for a prompt trip redelivery east Mediterranean with scrap at \$7,750. *Nautical Alice* (63,580-dwt, 2016) fixed delivery Recalada for a prompt trip redelivery Singapore-Japan range at \$12,750 plus \$275,000 bb. In Indian Ocean, *African Turaco* (60,075-dwt, 2016) fixed delivery South Africa for a trip redelivery Pakistan at \$11,750 plus \$175,000 bb. *BBG Forever* (63,268-dwt, 2016) fixed delivery Krishnapatnam for a trip via East Coast India redelivery China at \$14,500. In the Pacific, *Rui Ning 8* (53,459-dwt, 2010) fixed delivery Macun for a trip redelivery South China with clinker at \$8,500, *Great Spring* (61,438-dwt, 2017) fixed delivery Tianjin for a prompt trip via Philippines redelivery China with nickel ore at \$8,500 option redelivery North China at \$9,000.

Positive movement in the **handy** market this week once again with the index jumping \$756 to close the week at \$6,533. The Atlantic market improved this week, with East Coast South America and US Gulf particularly tightening. We hear Handy fixed basis delivery Canakkale via east Mediterranean to US Gulf at \$5,500. Another Handy was rumoured to have fixed off the Continent to the US Gulf at \$4,500. A 38,000-dwt vessel fixed delivery US Gulf for a trip to East Coast South America at \$7,500. Two 34,000-dwt vessels both open east coast South America were fixed for a transatlantic run at \$7,000 and \$8,000 but nothing confirmed. In the East rates continued to climb. *Ravi Kotari* (34,373-dwt, 2010) delivery Indonesia was fixed for a trip via Indonesia with redelivery Hong Kong at low \$8000's. *HTK Lucky* (28,481-dwt, 2003) fixed delivery Go Dau for a trip to West Malaysia at \$7500. Up North, we heard a 35k open North China fixed \$7,000 for trip to South East Asia. The period market saw more activity through the week as well. We heard a 28k-dwt was fixed delivery North China at a cool \$6,750 for short period.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Maran Mariner	179,700	2011	Rizhao	15 June	China	20,000	Richland	Via East Australia
Mount Apo	175,800	2012	Caofeidian	prompt	Singapore-Japan	16,000	Five Oceans	Via Pacific
Jozen	95,710	2013	Caofeidian	prompt	China	10,000	Pacific Bulk	Via Australia
Xenia	87,144	2006	NCSA	1 July	Skaw-Barcelona	12,500	Bunge	
Alexandria	82,852	2012	NCSA	5/15 July	Skaw - Barcelona	9,000	Cnr	
Port Orient	61,485	2017	Port Orient	25/26 June	Full Atlantic	11,500	Conti Lines	9-11 Months
African Turaco	60,075	2016	South Africa	22 June	Pakistan	11,750	Cnr	Plus 175k BB
Sun Vil II	56,042	2013	Gresik	20/22 June	Singapore - Japan	10,000	Glencore	Via South Africa
Rui Ning 8	53,459	2010	Macun	21 June	South China	8,500	Cnr	
Stamford Pioneer	32,211	2012	Paradip	prompt	China	12,000	Cnr	



Exchange Rates	This Week	Last week
JPY/USD	106.87	107.28
USD/EUR	1.1228	1.1314

Brent Oil Price	This Week	Last week
US\$/barrel	42.59	38.94

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	250.0	247.0
MGO	372.0	337.0
Rotterdam IFO	240.0	219.0
MGO	356.0	313.0

19 June 2020

Dry Bulk S&P

A spike in capesize earnings has provided a helpful shot of energy into the dry market a whole. Activity has risen in all sectors and it feels that for the moment the decline of values witnessed since the start of the Covid crisis has halted. We wait to see if the direction of the market is actually changing but overall buyers are more eager to chase tonnage.

The cape spike seems to have had an almost immediate effect on the secondhand market. *New Stage* (176,877-dwt, 2008 Namura) is sold at \$16.3m, about \$1m above the last benchmarks.

The new positivity in the market has not percolated down to the post-panamax where another unit is sold at depressed levels. *LM Victoria* (93,318-dwt, 2010

NYZJ) is sold at \$9.3m, but nevertheless a small premium over the sister sold last month.

BW are reported to have sold three (possibly just two) kamsarmaxes enbloc with a timecharter attached. We understand the enhanced enbloc price of \$42m for three 2010 Japanese built units is still subject to fairly long subjects.

Chinese buyers continue to acquire older panamax. *Samatan* (74,823-dwt, 2001 Hudong) is sold as per last done at \$4.9m

Smaller handies, old and new, are being closely negotiated.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
New Stage	176,877	2008	Namura	Gearless	undisclosed	\$16.30m	
LM Victoria	93,318	2010	Jiangsu Newyangzi	Gearless	undisclosed	\$9.20m	
BW Barley	83,369		Sanoyas Hishino Meisho				
BW Acorn	82,589	2010	Oshima	Gearless	Greek	\$42.00m enbloc	on subjects with charter
BW Einkorn	81,502		Universal				
Samatan	74,823	2001	Hudong	Gearless	Chinese	\$4.90m	
Lugano	20,001	2003	INP HI	C 3x30T	Lebanese	\$2.40m	

Tanker Commentary

Some interesting statistics to report this week although most not for the right reasons. Floating storage levels reached a record level of 196M bbls as of Monday this week, with a recorded 154 VLCC's engaged in floating storage business. Product tanker rates remain at low levels across the board with the market in real need of world economies opening up in order to stimulate increased demand. Refinery utilization levels in the US have fallen below 75% for the first time since 2008.

The next few weeks will be interesting as many governments appear to be close to agreeing 'air bridges' which should bring some legs back to the aviation industry. The likely increase in 'staycation' holidays should also boost the increased demand through increased automobile usage in countries like the UK.

In the tanker sale and purchase markets, prices continue to turn south in both crude and product markets this week with general sentiment remaining flat to negative.

With no modern tonnage to report, the focus is on older tonnage again, with demand for crude tankers coming solely from the Middle East, and the older product tankers finding new homes with Chinese buyers.

In the Aframax sector, the *Minerva Zenia* & *Minerva Astra* (105k-dwt, 2002/01 Daewoo) have been sold to Middle Eastern buyers for \$24m enbloc. The 1999 built *Seadance* (105k-dwt, 1999 Hyundai) has also gone to Middle Eastern interests for a reported price of \$9.75m.

Chinese buyers continue the purchasing spree of older product tankers. This week, the *Portman* (47k-dwt, 1997 Brodogradiliste) and *Hanson* (44k-dwt, 1997 Halla) have both been committed to Chinese buyers for \$5m each. Although we are currently unsure if sold to different buyers or not, it appears both will be put into methanol trades.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Minerva Astra	105,946	2001	Daewoo	Middle Eastern	\$24.00m enbloc	
Minerva Zenia	105,851	2002				
Seadance	105,477	1999	Hyundai HI	Middle Eastern	\$9.75m	
Portman	47,431	1998	Brodosplit	Chinese	\$5.00m	
Hanson	44,923	1997	Halla Eng	Chinese	\$5.00m	For Methanol trade
Adfines Sky	19,118	2011	Yangfan	undisclosed	\$10.20m each	
Adfines Sun						
Askviken	12,887	2005	Samho	Middle Eastern	\$3.50m	

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