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THE BIGGER PICTURE

... The Oasis Class ...

Temporarily Trapped in a Demand Desert



Source : Royal Caribbean

POINTS OF VIEW

Yesterday, the UK Foreign Office, following advice from Public Health England, issued a blanket ban against all cruise ship travel. The advice was no doubt influenced by Covid-related deaths on a number of large cruise ships early on in the pandemic and the tendency of the vulnerable over-70s to book cruises. No attempt has been made to differentiate between the giant up to 8,900 passenger/crew ships* operated by Carnival, Royal Caribbean and Norwegian and small boutique ships that provide a more bespoke and socially distanced service. It might be viewed as academic at present as these three companies will only resume cruises in the autumn, by which time the status of the virus may have changed, hopefully for the better. But it is a considerable blow to these, and other, cruise lines that face huge ongoing costs and no revenue. Carnival Corp's share price is down almost 72% since the start of this year and in the three months ending 31 May it lost \$4.4 billion. RCCL's share price is down 65% so far this year while NCL is off 74%. Last month, three large Carnival cruise ships (Carnival Breeze, Carnival Magic and Carnival Valor) were spotted parked off Devon in the protected waters of Torbay, just off the tourist resort of Torquay, adding a Mediterranean flavour to the UK's south coast. The US government has promised to protect the cruise industry as the domestic market provides an important quick getaway for many time-constrained Americans.

It has been a challenging six months for commercial shipping as well. Covid-19 arrived at a time of strained international trade relations led by the US-China 'trade war' which started off with the US wanting to reduce its trade deficit with China. This manifested itself in the imposition of US tariffs on Chinese imports, leading to reciprocal tit-for-tat Chinese tariffs on US imports. Other countries got dragged into US claims of unfair trade practices, including neighbours Canada and Mexico, as well as other friendly major trading nations such as Japan, South Korea and India. The UK and Europe also came into the crosshairs. In no time at all, the whole world has become involved in unwelcome trade disputes and rising consumer costs caused by unnecessary protectionist taxes on all manner of imports. Layer onto this the US sanctions on Iran, North Korea, Russia, Venezuela and China and you have a disturbed world. Then, move beyond the merchant trade disputes of today and add the intellectual property disputes of tomorrow. The role of expansionist Huawei in the roll-out of global 5G networks has flagged up the intensity of phase two US-China talks. This is all about IP and AI and national security. The US, UK and Australia are leading the pushback against Chinese expansion, both in the physical world and in cyberspace, and Huawei is the symbolic piggy-in-the-middle punchbag in this latter contest. All these issues combine to generate considerable uncertainty.

We can cast our minds back over the past 12 months and see how 10-year old units in different sectors and segments performed on a quarterly basis to gauge the impact of the virus and strained trade relations. First average tanker earnings, with all data courtesy of SIN. VLCCs did well having improved from \$25,504 in 3Q19 to \$102,761 in 4Q19 to \$84,557 in 1Q20 and \$88,907 in 2Q20. High earnings in Q4 were sanctions-driven while in Q1 and Q2 they were storage-driven. MRs averaged \$10,045 in 3Q19 followed by \$20,022 in 4Q19. This year they did \$18,823 in 1Q20 and \$26,688 in 2Q20. Both large crude tankers and small product tankers have fared much better in the last three quarters than they did in Q3 of last year, despite the challenging global context. In the dry bulk sector, capes averaged \$25,666 in 3Q19 and \$21,537 in 4Q19. 1Q20 was dismal at \$1,995 after lower iron ore flows from Brazil and Australia and Wuhan lockdown. 2Q20 weighed in at a better \$7,820 after springing back in June from earlier Covid-related demand destruction. Supras averaged \$15,243 in 3Q19 and \$13,940 in 4Q19 and this year did \$7,941 in 1Q20 and \$7,494 in 2Q20, a very commendable performance under the circumstances. Finally, modern 8,500-teu intermediate box ships did \$29,615 for 6-12m in 3Q19 and \$29,385 in 4Q19. 1Q20 was fine at \$28,192 before the container sector succumbed to weaker consumer spending and lockdowns in 2Q20 which was reflected in average earnings falling sharply to \$16,250 daily. Given the magnitude of the challenges faced, we can consider it a job well done while hoping that a combination of constrained supply and recovering demand will mean that the worst is behind us.

*The world's largest cruise ship is RCCL's Oasis Class "Symphony of the Seas" built in 2018 and weighing in at 228,081-gt, capable of carrying 6,680 passengers and 2,200 crew.

10 July 2020

Dry Cargo Chartering

The **BDI** closed this week at 1,810, down from last week's close of 1,894. The **capesize** market slipped this week, closing at \$27,644 down \$5,038 from last week's \$32,682. MOL took a CCL relet the *Golden Kathrine* (183,486-dwt, 2015) at an impressive \$38,000 delivery Manila for a prompt trip via East Australia redelivery Singapore-Japan range. Vale took a number of TBN vessels for their usual Tubarao to Qingdao iron ore run in August, fixing at \$21.25 pmt for 185,000 mtons 10% at the start of the week but saw freight rates drop to \$18.85 pmt for 170,000 mtons 10% by the end of the week. Several 170,000 mtons 10% stems from North-west Australia to Qingdao were also fixed by Rio Tinto and BHP Billiton with freight rates ranging from \$10.65 pmt down to \$9.30 pmt by the end of the week.

This week the **panamax** market strengthened to close the week at \$14,286, up from last week's \$11,840. Strong front haul rates were seen with Raffles taking the *Kiran Africa* (79,105-dwt, 2011) at \$25,000 delivery Istanbul for a trip via the Black Sea to the Far East while Delta fixed the *Icarus* (75,200-dwt, 2012) delivery Gibraltar via the Baltic and Suez to the Singapore-Japan range at \$22,200. In the Pacific, we saw prolonged activity in the North Pacific with Bunge taking the *Darya Jyoti* (80,545-dwt, 2010) and Cofco fixing the *Cape Kasos* (81,403-dwt, 2012) both for prompt trips delivery Tianjin at \$11,000. ST Shipping took in the *Selina* (76,441-dwt, 2010) delivery Singapore for 12-14 months at \$11,000 with worldwide redelivery. The Steel Authority of India fixed a TBN vessel for a 75,000 mtons 5% coal stem from Newport News to Visakhapatnam at a healthy \$32.85 pmt.

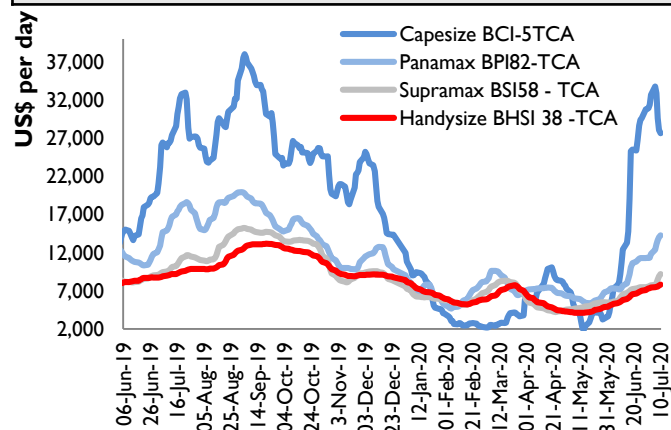
The **supramax** index continued to strengthen, gaining \$1,468 from last week to close play today \$9,184. In the Atlantic, the *LMZ Ariel* (57,000-dwt, 2012) was fixed by Whitelake from Black Sea to the Caribbean at \$7,400 for first 35 days, escalation rate was not confirmed. *The Great*

Vision (63,376-dwt, 2016) open Diliskelesi was rumoured to have been placed on subjects at between \$23-\$25,000 for a trip to west coast India. The *Adirondack* (57,010-dwt, 2010) failed for a trip delivery north coast south America for a trip via US Gulf redelivery India at \$19,000 plus \$150,000 ballast bonus. In the East, Delta Corp took the *Santorini Queen* (55,809-dwt, 2009) delivery Paradip for a trip redelivery China at \$9,150 & the *Clipper Endeavour* (52,483-dwt, 2004) from Payra for a trip redelivery China intention iron ore at \$9,500. The *Eleen Neptune* (55,567-dwt, 2009) fixed delivery CJK for a prompt trip via Indonesia redelivery west coast India at \$3,100 with Allianz. The *Rigi Venture* (63,500-dwt, 2015) was fixed delivery Dafeng for a spot trip via Australia redelivery Singapore-Japan range at \$9,500. It has been an active week in the handy size market, especially within the Atlantic with plenty of reported fixtures.

The **BHSI** gained \$399 from last Friday, finishing today at \$7,823. Front haul rates boosted out of the Black Sea in dramatic fashion, TKB fixed the *CS Sarafina* (37,690-dwtm 2014) delivery ppt Damietta via Black Sea to South East Asia at \$14,900. Meadway took *The Brighten Trader* (39,310-dwt, 2017) delivery Canakkale for a trip via Black Sea redelivery south East Asia at \$14,500. Meadway also took the *Skopos* (28,075dwt, 2001) delivery Constanza for a trip via Black Sea redelivery Tunisia at \$5,250. The *Sea Moon* (28,495-dwt, 2002) fixed Turkey prompt trip redelivery west Africa at \$5,500. In the US Gulf, *Adrienne* (34,845-dwt, 2020) fixed for a prompt trip redelivery Brazil intention soda ash at \$6,500 with Pacific Basin. The *West London* (39,260-dwt, 2015) fixed delivery Norfolk for a prompt trip redelivery Morocco intention agris \$8,000 with Integrity. On period, the *Union Groove* (35,064-dwt, 2012) delivery Gibraltar prompt for 5/8 months trading redelivery Atlantic at \$8,500. Limited fresh activity in the East with a holiday today. The general sentiment being quite sluggish.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Golden Kathrine	183,486	2015	Manila	4 Jul	Singapore-Japan	38,000	MOL	Via East Australia
Lowlands Blue	99,991	2019	Yantai	7/8 Jul	Singapore-Japan	16,000	RTSA	Via East Australia
Eirini P	76,466	2004	Barcelona	7 Jul	China	22,600	RWE	Via France
Shi Dai 10	75,414	2012	Hong Kong	14 Jul	South China	11,500	Richland	Via East Australia
Golden Pearl	74,300	2013	Gibraltar	9 Jul	Skaw-Gibraltar	14,500	Cargill	Via Baltic
Rigi Venture	63,500	2015	Dafeng	PPT	Singapore-Japan	9,500	CNR	Via Australia
Bulk Guatemala	61,446	2013	Busan	PPT	Japan	9,900	CNR	Via Nopac
Clipper Endeavor	52,483	2004	Payra	13/17 Jul	China	9,500	Delta Corp	Int Iron ore
West London	39,260	2015	Norfolk	PPT	Morocco	8,000	Integrity	Int Agris
Adrienne	34,845	2020	US Gulf	PPT	Brazil	6,500	Pacific Basin	Int Soda ash



Exchange Rates	This Week	Last week
JPY/USD	106.83	107.51
USD/EUR	1.1285	1.1225

Brent Oil Price	This Week	Last week
US\$/barrel	41.75	42.67

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	262.0	260.0
MGO	376.0	390.0
Rotterdam IFO	239.0	250.0
MGO	355.0	360.0

10 July 2020

Dry Bulk S&P

This week has been similar to the past month with plenty of Buying interest across the board and values rising.

The panamax *Loreto* (76,737-dwt, 2004 Sasebo) is sold for region \$8m, in line with the recent sale of the year younger *Harrow* (76,752, 2005 Sasebo) sold for mid 8s two weeks ago and establishing the higher benchmark pricing. Both vessel are SS passed and BWTS fitted.

There's been no shortage of interest and activity on the supras from the early 2000 built units up to modern, eco ultras however there are only two sales to report. The specialist OHBS *Nikkei Verde* (51,658-dwt, 2011 Oshima) is reported sold to Far Eastern Buyers for region \$10.5m and the older, conventional supra, *Harvest Plains* (52,549-dwt, 2001 Sanoyas) is sold to undisclosed interests for \$4.9m. Next week could see

further sales to report at slightly higher levels with plenty of interest reported on 15 year old supras and 5 year old ultramaxs.

Greek Buying interest remains for Japanese handies with two further sales reported to Greek Buyers. *Pegasus Ocean* (34,512-dwt, 2015 Hakodate) reported sold to Greeks for \$14m, a slight step up on the larger *Swiftnes* and *Sharpnes* which were sold for \$15m each a month ago. *Moonlight Serenade* (31,771-dwt, 2008 Saiki) saw a lot of interest from Greek Buyers and is reported sold for \$7.3m, however the nationality of the Buyer has not emerged yet.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Loreto	76,737	2004	Sasebo HI	Gearless	undisclosed	\$8.0m	BWTS fitted, SS/DD passed 01/2020
Harvest Plains	52,549	2001	Sanoyas Hishino Meisho	C 4x25T	US based Turks	\$4.9m	
Nikkei Verde	51,658	2011	Oshima	C 4x30T	Far Eastern	\$10.5m	BWTS fitted
Pegasus Ocean	34,512	2015	Hakodate Dock	C 4x30T	Greek	\$14.0m	BWTS fitted
Moonlight Serenade	31,771	2008	Saiki HI	C 4x30T	undisclosed	\$7.3m	BWTS fitted, DD freshly passed

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Pacific Coral	265,278	1995	Sasebo HI	Bulk	28,455	\$300.00	Bangladesh
Handan Steel	264,971	1994	Ishikawajima-Harima	Bulk	39,152	\$274.00	Bangladesh
Bold Voyager	43,469	1991	Tsuneishi	Bulk	8,211	\$337.00	Pakistan
Navigator B	28,470	1990	Imabari	Bulk	5,993	\$312.00	Pakistan
Ym Pine	68,615	2001	China Shipbuilding Corp	Cont	22,885	\$270.00	'As is' Hong Kong
Ym Green	68,413	2001	Hyundai HI	Cont	23,110	\$270.00	'As is' Hong Kong
E. R. Seoul	67,660	2000	Samsung HI	Cont	24,718	\$305.00	India
E. R. Amsterdam	67,557	2000	Samsung HI	Cont	24,882	\$298.00	India
Ever Divine	55,604	1998	Mitsubishi HI	Cont	21,731	\$270.00	'As is Hong Kong'
Em Oinousses	32,321	2000	Samsung HI	Cont	11,440	\$344.00	Pakistan
Wan Hai 212	23,877	1993	Naikai Zosen Corp	Cont	6,923	\$245.00	'As is Hong Kong'
Wan Hai 207	23,690	1992	Naikai Zosen Corp	Cont	6,884	\$250.00	'As is Hong Kong'
Ahlam	5,660	1995	Peene-Werft GmbH	Cont	2,471	\$285.00	India
Ocean Highway	16,733	2000	Tsuneishi	RoRo	14,240	\$275.00	India
Dilya	17,745	1980	Ishikawajima do Brasil	Tank	6,002	\$162.50	"As is" Rio

Tanker Commentary

With the oil markets still cooling off, there are again few sales to report this week.

The first VLCC of around 10 years old has changed hands this week. Clients of TMS have sold the 'HRA' (320k-dwt, built 2011 DSME) to undisclosed buyers for \$48m. Not since the *Madison Orca* (320k-dwt, built 2010 HHI - which was a converted VLOC) was sold back in January for a price of \$50m have we seen activity in this age category. A sign of the times and just how much the market has changed since then, with Owners securing record rates between now and then...

Elsewhere, clients of D'Amico have sold two of their fifteen year old phenolic/epoxy coated Medium Range product tankers. In a press release, the 'High Progress' and 'High Performance' (51k-dwt, 2005 STX – SS passed & BWTS fitted) have been confirmed sold at \$12.95m per ship. The buyers remain officially undisclosed however we understand that Medbulk, Turkey has acquired both. The sale is a tick down on last similar done (*PTI Orion* – 51k-dwt, built 2006 STX, epoxy) back in March at \$13.3m, however does show that despite the general downturn in products, some of the coated ships are still seeing firm numbers.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Hra	320,105	2011	Daewoo	undisclosed	\$48.0m	
High Progress	51,303	2005	STX Shipbuilding	Medbulk, Turkey	\$12.58m each	SS passed & BWTS fitted
High Performance						

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