17 July 2020

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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THE BIGGER PICTURE

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Source : Gazprom

POINTS OF VIEW

Shipping and trade have become increasingly politicised and a contributing factor has been President Trump's America First campaign. This puts American interests above all others and aims to engage other nations on a bilateral basis on the assumption that the US will always win 'mano a mano'. Multilateral action and institutions such as the UN, NATO and WTO are disregarded. The disruption to trade caused by tit-for-tat tariff barriers has achieved very little other than to raise costs to global consumers and distort trade flows. America First may also be seen as a riposte to China's 2013 Belt and Road Initiative and to its 2015 Made in China 2025 policy. The first is about expanding China's physical and political influence around the world. The second aims to make China a global leader in the sciences of tomorrow and a achieve a high level of self-sufficiency in fields such as robotics, information technology, medical devices, aerospace equipment and clean energy. These ambitious twin policies of Xi Jinping represent a direct challenge to US global influence and power and to its technological leadership. Symbolically, at the heart of this contest is Huawei, which leads the race to develop 5G networks. The US has deemed Huawei to be a security threat and has pressured its allies to abandon use of its products. Early this week, the UK finally caved in and promised to remove Huawei equipment from its telecoms infrastructure. The UK has decided that its future interests are best served by siding with the US. There is the precedent of the African Union building in Addis Ababa justifying security fears. And a ban on US companies supplying vital components, such as semiconductors, to Huawei questions the future efficacy of its equipment. Also, it may just be that the US government wants to nobble a worthy competitor that has got too far ahead. Regardless, the UK has decided to toe the line.^

China will seek to retaliate against the US and UK for their actions against Huawei, so this becomes an extension of the US-China trade war. It also buys some time for the likes of Cisco, Qualcomm, Intel, Nokia and Ericsson to raise their game in developing homegrown western 5G networks. This week, the US turned the screws on companies (Engie, OMV, Shell, Uniper and Wintershall)* that are funding Gazprom's Nord Stream 2 sub-Baltic Sea pipeline that will supply natural gas direct from Russia to Germany. The US is furious that Germany is paying billions of dollars to what it perceives as a malignant Russian state, intent on creating energy dependence, that has in the recent past used gas supplies to Europe as a political tool and a bargaining chip. In the background are the real or imagined Russian-sponsored cyber attacks on US and European electorates that are seen as hostile attempts to undermine western democratic processes. Mike Pompeo, the US secretary of state, has warned the above-mentioned European energy companies to "get out now, or risk the consequences". The timing is interesting as Denmark has just approved a project restart to complete the last 160km of the pipeline after Swiss company Allseas suspended its pipelaying work last December in response to the threat of US sanctions. This latest US action will merely delay, rather than derail, the pipeline's completion as Gazprom claims it can do it alone. US motives may really be that it would like to export its surplus gas to Europe as LNG, so it wants European buyers to bow to its will in abandoning Gazprom's gas, just as they must dump Huawei's 5G inputs.

China dominates shipping so it was good to see Q2 GDP growth come in at a claimed 3.2% when consensus was for 2.4%. Its Covid recovery is plain to see from a series of new records. Crude steel output in June rose 2.4% MoM to a record 91.6mt, or 3.1mt a day, on reviving construction and manufacturing. Iron ore imports came in at 101.7mt in June, up 17% MoM and 35% YoY. Bumper imports of Brazilian soybeans saw China import a record 11.2mt in June, up 19% MoM (9.4mt) and up 71% YoY (6.5mt), and are being followed by huge purchases of US soybeans and corn for shipment this autumn.^^ China's aluminium output hit a record 3.0mt a month in June, up almost 1% YoY. Its coal output rose to 1.8bt in first half 2020, up 0.6% YoY. Its crude oil imports set a record of 11.3m-bpd in May only to rise even further to 12.9m-bpd in June. Its refining output also hit a record in June as it processed 57.9mt, or 14.1m-bpd, up on 13.6m-bpd in May and up 9% YoY. The US wants to fight the whole world on 'security' grounds, or is it really commercial? While most of the rest of us see sense in trying to get along with China.

^The HK security law may prove to be the last straw. The US is now considering US travel and residency bans on all members of the CCP, PLA and SOE business leaders.

*These five companies provided €4.75bn of funding to Gazprom which supplies 40% of Europe's gas. Nord Stream 2 will provide an alternative route into Europe to existing pipelines that transit Ukraine…

^^Soybean demand is returning after China culled 40-50% of its 450 million strong hog herd last year after African swine fever hit in August 2018. The pig population is gradually being restored.

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Dry Cargo Chartering

The **BDI** closed at 1710, down exactly 100 points from last week.

The **cape** market took its foot off the accelerator this week as rates came off in both basins, leaving the index at $25,085. Rio Tinto took the *Cape Agamemnon* (179,221-dwt, 2010) from Capital for a 170k mtons 10% iron ore cargo from Dampier to Qingdao at $7.80 pmt and also took the *Casta Diva* (177,807-dwt, 2011) for another stem at $7.90 pmt, while Cargill fixed a TBN Newcastlemax for 190k mtons 10% from Port Hedland to Qingdao at $7.90 pmt. NYK were heard to have taken a Cape for a 170k mtons 10% iron ore cargo from Ponta Da Madeira to China at $19.60 pmt, although no owner was linked to the fixture. No time charterer deals were reported by the Baltic this week.

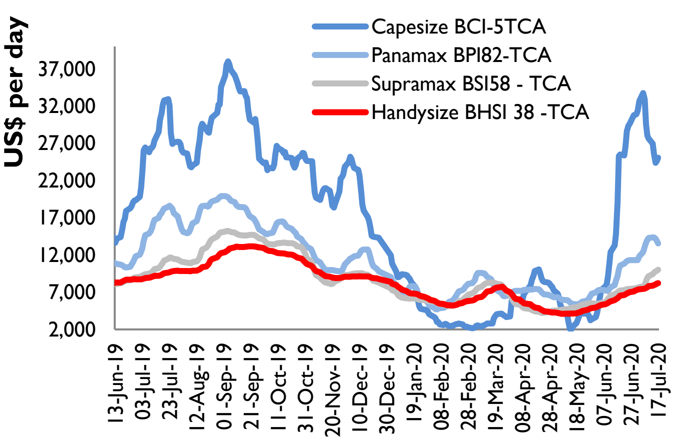
The **panamax** market slipped slightly this week closing at $13,532 down from last week's closing of $14,286. Despite this, strong rates persisted in the Pacific and Indian Oceans with Fiveocean fixing the *BBG Yulin* (82,293-dwt, 2015) retro sailing Singapore for a prompt trip via Richards Bay to Korea at $16,500. It was a similar story for East coast South America as Oldendorff took the *Valiant Summer* (81,920-dwt, 2016) passing Singapore for a trip to South America with redelivery in the Far East at $14,500, while and Bunge fixed the *Wanisa* (79,401-dwt, 2012) delivery Port Dickson again with redelivery in the Far East at $12,500. Additionally, it was also reported that Cargill fixed the *Sophocles Graecia* (82,039-dwt, 2020) delivery Tianjin for a prompt trip via US Gulf to Singapore-Japan at $13,000. In terms of the North Pacific, Norden took the *Agri Queen* (77,171-dwt, 2009) delivery Bayuquan, PRC for a round trip with grains at $11,250. The *Grizzly* (81,395-dwt, 2013) was reported to have fixed delivery Qingdao for 4-6 months at $12,500 with worldwide redelivery. Lastly, a Pan Ocean TBN vessel was fixed for a 80k mtons 10% KEPCO coal tender from Prince Rupert to Hosan at $11.93 pmt.

The **supramax** market remained firm overall with the BSI closing at $10,014, up from last week's $9,184. In the Atlantic, the *Nord Mamore* (64,050-dwt, 2020) fixed delivery Flushing for a prompt trip redelivery Turkey with scrap at $16,250, while the *Nord Summit* (61,649-dwt, 2012) fixed delivery Ushant also for a prompt trip redelivery Turkey with scrap at $16,000. In the Indian Ocean, the *Captain Andreadis* (58,760-dwt, 2008) was fixed by Seatrek for a trip delivery Abu Dhabi via the Arabian Gulf redelivery Bangladesh with aggregates at $16,000. Cargill took the *Thor Madoc* (55,695-dwt, 2005) for a trip delivery Richards Bay redelivery South-East Asia at $12,000 with a $250,000 ballast bonus. In the Pacific, the *Hayama* (52,900-dwt, 2006) fixed delivery Taichung for a trip via Indonesia redelivery CJK at $9,200, and the *Eagle Strait* (56,882-dwt, 2010) fixed delivery Vung Tau for a trip redelivery East coast India at $8,500.

The **handy** market improved slightly this week with the index closing at $8,232. In the Atlantic, Trithorn took the *Bald Eagle* (32,291-dwt, 2009) delivery Yalova for a trip to the Continent at $6,600, while Norden fixed the *Amalia* (34,023-dwt, 2011) delivery Samsun redelivery Morocco at $7,000. In the Pacific, the market remained relatively quiet especially in the north where the rates have stagnated. We heard a 45k-dwt vessel fixed $6,000 delivery CIS for a trip to Taiwan, while the *Bunun Hero* (37,800-dwt, 2015) was fixed delivery Taiwan for a coal trip to China at $6,000. On the period side, the *Uni Challenge* (29,078-dwt, 2012) was fixed delivery China for 3-5 months worldwide trading in the mid $6's. We also heard a 33k-dwt vessel fixed at $8,000 delivery CJK for 3-5 months trading.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Bottiglieri Ambition	93,386	2010	Manila	18 July	South Korea	15,200	Pillos	Via Indonesia
BBG Yulin	82,293	2015	Retro Singapore	10 July	South Korea	16,500	Fiveocean	Via Richards Bay
Aquavita Sea	81,479	2020	Singapore	11 July	Singapore- Japan range	15,000	cnr	VIA ECSA
Blue Chip	76,662	2007	Dangjin	19/23 July	Singapore-Japan range	11,500	Olam	Via USG
Nord Mamore	64,050	2020	Flushing	prompt	Turkey	16,250	cnr	
Sunrise Jade	63,244	2015	Bin Qasim	prompt	WCI	13,500	Pacific Basin	Via AG
Soldoy	56,830	2011	North China	prompt	Worldwide	9,250	cnr	4-6 months
NY Trader I	38,271	2014	SW Pass	prompt	WCSA	15,000	cnr	
Elar Trader	37,782	2010	Canakkale	prompt	Egypt	7,250	cnr	Via B. Sea with steels
Strategic Savannah	35,542	2013	SW Pass	July	UK Cont	12,500	cnr	



Exchange Rates	This Week	Last week
JPY/USD	107.17	106.83
USD/EUR	1.1426	1.1285

Brent Oil Price	This Week	Last week
US$/barrel	43.03	41.75

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	270.0	262.0
MGO	380.0	376.0
Rotterdam IFO	255.0	239.0
MGO	358.0	355.0

Dry Bulk S&P

The secondhand market is showing increasing levels of activity across the board and values are beginning to lift in response.

Where there has been a shortage of tonnage in certain sectors of the market, more aggressive approaches by buyers are prising more tonnage out of sellers hands. There has been significant activity in the ultramax market with several units close to conclusion as the week ends. Likewise there has been action in the very modern kamsarmax market.

After recent inspections in Hamburg *KM Yokohama* (83,480-dwt, 2011 Sanoyas) has attracted sharper than expected numbers from buyers, and while the sale is not yet confirmed we understand German buyers may be close to a deal in the region of $15m. After many months waiting for the tide to rise to their level, BW committed their three kamsarmaxes, *BW Barley, BW Acorn* and *BW Einkorn* (all 2010 Japanese built) to Singaporean based buyers. When the subjects ran out, the buyers were swiftly replaced. Centrofin is named as potentially the buyer of two of them, while the third may have gone to German buyers.

Chinese buyers continue to hoover up supramax tonnage. *San Lucia* (56,568-dwt, 2012 Hantong) is sold at $9.2m while Panworld (55,675-dwt, 2011 Hyundai Mipo) is sold at $10m. The sisters *Ithomi* and *Parnon* (57,000-dwt, 2011 Qingshan) have been sold at a cut price $15m enbloc to Greek buyers.

Older and smaller Japanese built tonnage has also attracted better prices. *Mimi Selmer* (55,711-dwt, 2005 Mitsui) is sold at a better $7.5m with surveys due. *Bulk Paraiso* (53,503-dwt, 2007 Iwagi) is sold finally at a respectable $8.2m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
BW Barley	83,369	2010	Sanoyas Hishino Meisho	Gearless	undisclosed	Two have been sold to Centrofin and one has gone to a German buyer	
BW Acorn	82,589		Oshima				
BW Einkorn	81,502		Universal				
Sun Lucia	56,568	2012	Jiangsu Hantong Ship HI	C 4x36T	Chinese	$9.20m	Tier II
Ithomi	57,000	2011	Qingshan	C 4x30T	Allseas	$15.5m enbloc	
Parnon	56,498						
Mimi Selmer	55,711	2005	Mitsui Eng.	C 4x30T	undisclosed	$7.50m	SS due in October
Panworld	55,675	2011	Hyundai Mipo	C 4x25T	Chinese	$10.00m	
Bulk Paraiso	53,503	2007	Iwagi Zosen	C 4x31T	UK	$8.20m	MOA signed, awaiting deposit
J Ocean	46,644	2000	Mitsui Eng.	C 4x30T	Chinese	$3.80m	SS/DD due November 2020
Sam Eagle	32,581	2010	Jiangsu Zhenjiang	C 4x31T	GMS	$4.7m	Auction sale
IVS Nightjar	32,316	2004	Naikai Zosen Corp	C 4x30T	Manta Shipping	$5.20m	on buyers and sellers subjects
Seattle	31,923	2000	Saiki HI	C 4x30T	undisclosed	$4.25m	OHBS / non logs

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Sine Maersk	110,381	1998	Odense Staalskibsvaerft A/S	Cont	32,414	undisclosed	Turkey
Master	24,112	1997	Shanghai Shipyard	Bulk	6,772	$336.25	Pakistan
Kuo Hsiung	18,372	1993	Imabari	Cont	5,915	$344.00	Pakistan
Baltic Highway	17,828	2001	Tsuneishi	RoRo	13,145	$283.00	India
Setuba	16,727	1997	Peene-Werft GmbH	Cont	5,251	$325.00	full sub continent
Elit	11,816	1992	Dorbyl Marine	Gen	2,950	$320.00	Pakistan
Avatar	3,183	1990	Hollming Oy	Tank	2,102	$297.00	Pakistan

Tanker Commentary

OPEC have taken the wheel again this week, agreeing to increase production from next month providing that demand is not crushed by a second wave of COVID-19.

As storage continues to unwind and we see more of the global fleet reactivating, glimpses of normality appear to be on the horizon. Supporting this, the price of crude appears to be vacillating within a far smaller range than in Q1 and Q2. This being said, the inevitable US-China trade talks are lingering behind constant bombardments on the Coronavirus pandemic, and will certainly trigger unescapable volatility.

In the MR sector, we are hearing reports that Danish owned *Kronborg* (40k dwt, 2007 SLS), has recently been committed to Vietnamese interests in the region of $12m. As well as this, there are a couple of region 10 year old Japanese built pumproom types that we expect to be sold soon, and providing the sales go through, are likely to set new benchmarks for mid-life MR's.

Elsewhere in the MR segment, the Indian controlled *Agility* (44k-dwt, 1997 Halla) has been sold to Chinese buyers for around $5m – the vessel had surveys due and was trading CPP's.

Finally, US based chemical carrier specialist Chembulk have offloaded their *Chembulk Tortola* (20k-dwt, 2007 Kitanihon) to Vietnamese buyers, however speculation around pricing remains somewhere between $8.3m and $9.3m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Agility	44,970	1997	HALLA ENG	undisclosed	$5.00m	DD due July 2020
Kronborg	40,208	2007	SLS Shipbuilding	Vietnamese	$12.00m NET	
Chembulk Tortola	20,809	2007	Kitanihon Zosen K.K.	Vietnamese	undisclosed	

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