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THE BIGGER PICTURE

... Demand Suppressant ...



Source : Matt in the Daily Telegraph

POINTS OF VIEW

Scientists are the new economists with their models, scenarios and forecasts, although currently they are getting a lot more airtime than practitioners of the dismal science. Political leaders are stuck between a rock and a hard place as they attempt to balance the opinions of scientists and economists. Their policy decisions seek to maximise protection of lives and healthcare systems while minimising damage to the economy and livelihoods. On both sides of the Atlantic, there is evidence of second wave Covid-19, and yet we are only in the foothills of the northern winter. Regional lockdowns to full national shutdowns are being rolled out, threatening to arrest the recovery in global demand while raising national debt levels. Governments that shut down businesses and cancel jobs are duty-bound to provide compensation. In the UK, the average age of those that have died from the virus to date is 82. Young people, who are less at risk from the virus, but are effective carriers and transmitters, find themselves making sacrifices for an older generation that is generally regarded as being financially comfortable. The younger generation faces student debt, a lack of jobs, mental health issues, an exorbitant housing market and decades of higher taxes to repair the national balance sheet. Meanwhile, the politicians and scientists who are shaping policy are mostly in their 50s and 60s and on generous pay and pensions that are paid from the public purse, i.e. by taxpayers. They can survive the economic consequences of their decisions; the young much less so.

From the narrow perspective of shipping, an elongation of the demand recovery is what we might have expected. Fortunately, it is likely to be accompanied by an elongation of supply restraint. Uncertainty surrounding the duration and impact of the virus makes shipowners more cautious before adding to shipyard orderbooks, and this is reinforced by the lower availability of conventional finance and a general desire to order the next generation of eco-friendly ships that can meet IMO emission targets. The largest and best shipyards are still seeing a trickle of orders as more cash-rich owners go about fleet replacement while prices are attractively low. New mining and oil and gas projects often demand bespoke new ships while the endless pursuit of lower per slot costs will continue to support orders for giant container ships. On a quarterly basis, the bulk carrier orderbook is currently at 59.0m-dwt, or 6.5% of the fleet at the start of Q4, its lowest quarterly reading since the beginning of 1996,* nearly 25 years ago. The OB/FL ratio was at 80.5% in Q4 2008 just as the GFC was taking hold. On the same basis, at the start of Q4, the tanker orderbook is at 47.5m-dwt, or 7.4% of the fleet, its lowest reading in tonnage terms since the end of year 2000. In September 2008, when Lehman Brothers collapsed, it was at 188.5m-dwt, or 48.4% of the fleet. Lastly, the containership orderbook is now at 1.87m-teu, or 8.0% of the fleet, being the lowest quarterly OB/FL ratio since the beginning of 1996.* It was at 61% in pre-GFC 2008. These supply-side statistics give us hope at a time of an exogenous shock to demand caused by Covid-19.

China is leading the demand recovery as attested to by its commodity buying activity in the first 9 months of this year. But, looking at just three commodities (crude oil, coal and soybeans) the picture is more nuanced. September crude oil imports came in at 11.8m-bpd, up 5.5% MoM and 17.5% YoY. Five record months in a row saw crude imports over the first 3Qs rise 13% YoY to 11.1m-bpd. The price-driven buying splurge caused land-based storage to fill up and laden tankers to queue for discharge, creating a backlog. Refinitiv estimates that imports will fall to 10.9m-bpd in October and to a more 'normal' 10.5m-bpd in November. China imported 18.7mt of coal in September, down 38% YoY, as annual import quotas, designed to protect domestic producers, expired.** Australian imports were down to 5.5mt in September from 6.0mt in August and the Jan-Sep aggregate of 67.7mt was down over 7% YoY. Rumours of a verbal ban on Oz imports follows disputes between Beijing and Canberra over Covid-19, 5G and the South China Sea that led to a ban on some barley, beef and wine imports from Down Under. China's soybean imports were up 2% MoM to 9.8mt in September, and up 15.5% YoY in the first 3Qs to 74.5mt, as its hog herd is rebuilt.^ We must continue to manage down supply growth to compensate for a period of weaker real demand. More scrapping will help.

*When CRS records began.

^Following the devastation of African Swine Fever in 2019.

**China imported 239.4mt of coal in Jan-Sep'20, 80% of FY'19.

Dry Cargo Chartering

The **BDI** closed at 1,477 points down 415 points from last week.

In the **cape** market, the BCI time average closed at \$19,952 down \$9,477 since last Friday. The usual Dampier to Qingdao 170,000 mtons 10% ore runs were fixed with Rio Tinto, peaking at \$9.50 pmt. Vale fixed the *KWK Providence* for a 170,000 mtons 10% ore stem from Tubarao to Qingdao at \$18.05. Oldendorff fixed one their own Capesize vessels at around the \$6.70 pmt level for 180,000 mtons 10% from Saldanha Bay to Rotterdam. COSCO fixed a TBN 170,000 mtons 10% ore stem from Saldanha Bay to Qingdao at \$12.60 pmt with Ore & Metals. The *Besiktas Azerbaijan* a 2010 RWE relet fixed 160,000 mtons 10% from Seven Islands to Port Talbott at \$8.00 pmt with Cargill.

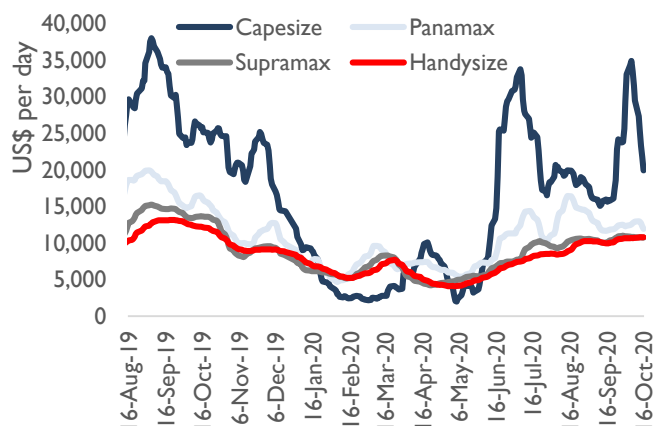
The **panamax** market softened this week to close at \$11,906, down from last week's closing of \$12,950. In the Atlantic, Cofco took the *Orient Union* (79,754-dwt, 2011) delivery East coast South America for a trip to South East Asia at \$14,250 plus a \$425,000 ballast bonus, while Nordic fixed the *Dream Team* (84,861-dwt, 2020) delivery Brake for a trip via the Baltic redelivery Skaw-Gibraltar range at \$16,000. It was also reported that Noble fixed the *Energy Triton* (82,122-dwt, 2012) delivery in the Baltic for a front-haul trip to the Far East with coke at a healthy \$23,000. Much activity was seen over in the North Pacific with multiple stems fixed including Cargill taking the *Starlight* (75,611-dwt, 2004) delivery retro-sailing Xingang for a round trip at \$11,000, and Cofco fixing the *Apollon* (82,083-dwt, 2018) delivery Incheon for a round trip at \$13,000. It was also reported that the *Maxwell* (82,170-dwt, 2017) an NYK relet fixed a 77,000 mtons 10% ArcelorMittal coal stem from Ust Luga to Dunkirk and Ghent at \$8.50 pmt.

The **supramax** market sentiment remained flat and steady. The BSI closed at \$10,736 down from last week's \$10,807. In the Atlantic, the *Spring Hawk* (55,688-dwt, 2010) fixed delivery Casablanca for a prompt trip via the Continent redelivery east Mediterranean by XO Shipping at \$15,500, and the *Global Brave* (57,317-dwt, 2010) fixed delivery US Gulf for a prompt trip redelivery West coast India with petcoke at \$24,000 by Norden. In the Indian Ocean, the *Ever Alliance* (57,991-dwt, 2011) was fixed for a trip delivery Bin Qasim for a trip redelivery Japan with salt at \$13,150 by Ultrabulk, and the *Yasa Sparrow* (55,442-dwt, 2013) fixed delivery Richards Bay for a trip redelivery Pakistan at \$11,700 plus \$170,000 ballast bonus by Oldendorff. In the Pacific, the *Fareast Harmony* (56,756-dwt, 2012) fixed delivery CJK for a trip redelivery China with coal at \$7,900.

The **handysize** market continued to tick upwards this week to close at \$10,789, up a touch from last week's closing of \$10,718. In the Pacific, we heard that a 33k-dwt vessel open in Thailand fixed for a trip with salt via Australia in the mid-\$8's, a 36k-dwt vessel fixed for a trip to Colombo with fertilisers at \$7,000, and a 35k-dwt fixed delivery Singapore for a trip to East coast India with alumina at \$8,250. Over in the Atlantic, the East coast South America market seemed to stabilise somewhat with a 34k-dwt vessel rumoured to have fixed at \$10,000 delivery Recife for a trip to the UK, and we heard that Clipper took a 37k-dwt vessel delivery Salvador for a trip to the US East coast at \$8,750. It was also reported that a 39k-dwt vessel open Otranto fixed for a trip with clinker loading Djen Djen to the Caribbean at \$12,500. Finally, on the period side of things Union Bulk were linked with taking on the *Minneapolis Miyo* (38,209-dwt, 2020) delivery Setubal for 4/6 months at \$12,900 with Atlantic redelivery.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Indus Fortune	92,928	2011	Taichung	16 Oct	China	\$12,000	CNR	Via Indonesia
Dream Team	84,861	2020	Brake	17 Oct	Skaw-Gibraltar	\$16,000	Nordic	Via Baltic
Yangtze Xing Jin	81,649	2012	Aps EC South America	Beg Nov	Singapore-Japan	\$14,500	CNR	Plus \$450,000 bb
Ocean Thyme	81,200	2014	Lianyungang	25 Oct	Worldwide	\$11,000	Norden	12 months
Mitose	77,376	2008	New Orleans	Beg Nov	Skaw-Gibraltar	\$12,000	Admi	Plus \$200,000 bb
Dimitris L	73,193	2001	Aps NC South America	21 Oct	Singapore-Japan	\$14,500	Olam	Plus \$450,000 bb
Anatoli	63,467	2018	Vietnam	PPT	South Korea	\$11,500	Meadway	Via Indonesia
Global Brave	57,317	2010	US Gulf	PPT	WC India	\$24,000	Norden	Int Petcoke
Interlink Tenacity	38,785	2016	Esbjerg	PPT	Sea of Marmara	\$18,900	CNR	Via Bremen Int Scrap
Nava Ulysses	34,898	2012	Samsun	PPT	Atlantic	\$10,750	Swire	5/7 months



Exchange Rates	This Week	Last week
JPY/USD	105.24	105.76
USD/EUR	1.1731	1.1812

Brent Oil Price	This Week	Last week
US\$/barrel	42.66	43.17

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	284.0	272.0
VLSFO	350.0	343.0
Rotterdam IFO	255.0	257.0
VLSFO	304.0	315.0

16 October 2020

Dry Bulk S&P

The market continues at a helter-skelter pace, but values are resolutely at last done prices. There is equilibrium between a large number of sellers and an equal number of buyers. Prime amongst the sellers are Scorpio, who in transiting from the bulk market to the offshore wind market, are selling a large number of units in the kamsarmax and ultramax sectors.

Scorpio have announced three sales this week (so far) – all in the ultramax sector. The Chinese built sisters SBI Phoenix and SBI Samson (63,130-dwt 2017 Chengxi) are sold with drydocking surveys due to Danish investors Navigare for \$17m each. The buyers are yet to emerge for their SBI Hera (60,425-dwt, 2016 Mitsui) at \$18.5m and further market rumours suggest the logs-fitted SBI Hyperion (61,171-dwt, 2016 NACKS) is sold at \$17.5m.

Elsewhere in this sector a Japanese-to-Japanese deal saw West Treasure (61,292-dwt, 2014 Iwagi) change hands at

\$15.85m – a firmer price for a MC main engine unit. The large supramax Orient Grace (58,620-dwt, 2012 Kawasaki) is reported sold for \$12.3m. The bargain of the week may be Yutai Breeze (55,088-dwt, 2010 NACKS) at \$9.9m.

The capsize market continues to be active. N G Moundreas are reported to have bought another unit, Pacific Endurance (181,458-dwt, 2011 Koyo) for \$19.1m. The newcastlemax Shin Ei (207,933-dwt, 2008 Universal) is reported sold for a stronger \$18.9m, while Huge Hakata (180,643-dwt, 2012 Tsuneishi Cebu) is sold at \$23m. Two older units China Steel Responsibility and China Steel Integrity (175,000-dwt, 2003/2 CSBC) are sold to Taiwanese compatriots Eddie Steamship for \$18m enbloc.

Finally in the handy sector, the non-eco handy Angelic Zephyr (37,780-dwt, 2014 Kanda) is sold for a last done \$12.8m while a strong price is reportedly paid for Ince Hamburg (28,189-dwt, 2010 Imabari) - \$7.25m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Shin-Ei	207,933	2008	Universal	Gearless	undisclosed	\$18.90m	SS/DD due
Pacific Endurance	181,458	2011	Koyo	Gearless	N. G. Moundreas	\$19.10m	SS/DD due
Huge Hakata	180,643	2012	Tsuneishi Cebu	Gearless	Greek	\$23.00m	
China Steel Responsibility	175,775	2003	CSBC	Gearless	Eddie Steamship	\$9.00m	DD due, enbloc
China Steel Integrity	175,775	2002	CSBC	Gearless	Eddie Steamship	\$9.00m	
SBI Phoenix	63,310	2017	Chengxi	C 4x30	Navigare	\$17.00m	DD due
SBI Samson	63,310	2017	Chengxi	C 4x30	Navigare	\$17.00m	DD due
West Treasure	61,292	2014	Iwagi Zosen	C 4x31	Japanese	\$15.85m	SS/DD passed, BWTS fitted
SBI Hyperion	61,171	2016	NACKS	C 4x31	undisclosed	\$17.50m	SS/DD due 05/21, logs fitted
SBI Hera	60,425	2016	Mitsui	C 4x30	undisclosed	\$18.50m	SS/DD due 05/21
Orient Grace	58,620	2012	Kawasaki	C 4x31	undisclosed	\$12.30m	Committed
Cas Amares	55,783	2011	Hyundai-Vinashin	C 4x30	undisclosed	\$8.85m	SS/DD due 05/21
Yutai Breeze	55,088	2010	NACKS	C 4x31	undisclosed	\$9.50m	SS/DD passed, BWTS fitted
Angelic Zephyr	37,780	2014	Kanda Zosensho	C 4x31	undisclosed	\$12.80m	SS/DD passed, BWTS fitted, Eco
Ince Hamburg	28,189	2010	Imabari	C 4x31	undisclosed	\$7.25m	SS/DD passed

Tanker Commentary

Activity in the VLCC segment remains rife with almost all of this week's sales reported in the sector. Having sold several vintage Aframax over recent weeks, the Martinos-led Minerva continues to shed tonnage with the *Pantanassa* (317k dwt, 2011 HHI) changing hands for US\$ 46 mill basis surveys due - rumours suggest fellow Greek compatriots Altomare were behind the purchase. Note that the last similar sold was the *Tokitsu Maru* (305k-dwt, 2011 Mitsubishi, SS/DD due 04/21) going for US\$ 45 mill earlier this month, with similar survey positions.

Although not confirmed, three VLCCs are reported to have been sold by the Judicial Managers of Xihe Holdings Pte Ltd - *Pu Tuo San* (318k-dwt, 2011 SWS), *Tai Hung San* (318k-dwt, 2010 SWS, BWTS fitted) & *Tai San* (318k-dwt, 2009 SWS) are believed to be committed to a Greek buyer enbloc, but the numbers remain

unknown. The creditors also called offers this week on a mixture of LR2 and MR tankers and we can expect to hear more on these in due course.

After last weeks reported purchase of several capesize, clients of NG Moundreas are understood to have sold the VLCC *Voyager I* (299k dwt, 2003 Samsung HI, DD due 01/21) in the mid-high \$25 mill region with surveys due early 2021. If true, this would suggest a slight firming in price based on last done, with the *Seaways Rosalyn* (317k-dwt, 2003 HHI, DD due 01/21) that was committed last week for US\$ 25 mill that had similar survey positions. Norwegian owners have sold their scrubber fitted ADS *Serenade* (299k-dwt, 2002 Hitachi) to UAE based buyers First Truth Energy for \$25.5 mill. The Bjorn Tore Larsen led outfit sold their ADS *Stratus* (299k-dwt, 2002 Hitachi) last month for a similar price – she was also scrubber fitted.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Pantanassa	317,106	2011	Hyundai Samho	undisclosed	\$46.00m	SS/DD due 03/21
ADS Serenade	299.152	2002	Hitachi	First Truth Energy	\$25.50m	Scrubber fitted
Polaris Stardom	12,484	2008	Miyoshi	South Korean	\$8.50m	STST

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
KT 06	45,863	1994	Koyo	Bulk	8,002	374	Bangladesh
Lucky Seaman	26,455	1991	Hakodate	Bulk	5,751	348	Bangladesh

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