HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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THE BIGGER PICTURE

… Will Vaccines Rescue Bulk Shipping? …

Source : NBC News

POINTS OF VIEW

It is interesting to observe how US trade policy has adversely impacted corners of the bulk carrier and tanker markets. The US-China trade dispute is well-known to have disrupted trade flows while increasing costs to consumers in both the US and China. Other countries have been affected as they got dragged into the dispute in America's slipstream. Australia is a classic example. The bulk carrier market is suffering as relations between Beijing and Canberra continue to deteriorate. The initial bones of contention were set when Australia called for an investigation into the origins of the coronavirus pandemic. It also banned the use of Huawei technology in its telecoms networks and called out China for occupying and militarising the South China Sea. China duly retaliated by banning or restricting its imports of Australian meat, barley, copper, coal and now wine.* The coal trade is relevant to larger bulk carriers and there are currently 69 ships with a total of 6.8mt of coal waiting to discharge in Chinese ports. The extent to which this is political is unclear as other factors include maxing out on annual coal import quotas (designed to protect domestic miners) and slowing construction activity and anti-pollution controls that come into play in the winter months.^ But the steep fall in total Australian coal exports is revealing at only 18.4mt in the month to 25 November compared with 28.0mt in October and 32.7mt in the June, the best month this year. One byproduct is collapsing Australian coking coal prices as Chinese domestic prices surge. It gives a helping hand to rival steelmakers in Japan, South Korea and Taiwan while hurting Chinese steel mills. China has never shied away from financial pain for political gain.

The US-China Phase I deal was agreed as both presidents wanted to do a deal even if it was over-ambitious and non-binding. In the Jan-Oct period China purchased $6.6bn of US crude, LNG, LPG and other energy products which is only 26% of this year's $25.3bn target. The pandemic has reduced energy demand worldwide, although less so in China. OPEC+ is debating not raising its output in January by 2m-bpd, 2% of end 2019 global consumption, as second and third waves spread across the world. This is another blow to tanker owners. With the US presidency in transition, China has resumed direct crude oil shipments from Venezuela, having officially stopped doing so in August 2019. US sanctions against Iran and Venezuela, and its trade war with the China, are politicising shipping. One byproduct is a reduction in large tanker scrapping as a disconnect has arisen in prices for 20-year tankers sold for further trading, around $25m, and those of a similar vintage sold for scrap, around $15m. Naturally one would rather sell for further trading rather than for demolition.** The buyers are allegedly sanctions busters associated with Iranian, Venezuelan and Chinese interests only too happy to cock a snook at the US. Over the past year, Lloyds List has identified 60-70 tankers involved in storing and shipping embargoed crude and, over the past 18 months, it counts 32 VLCC sales, built between 1996 and 2002, that are now operating in trades connected to Iran or Venezuela, 21 of them with unknown beneficial owners. Not much KYC going on.

It is worth looking at what impact these political intrusions might have had on the large bulk carrier and tanker sectors. The Baltic Cape 5TC hit an annual high of $34,896 on October 6 and has since plunged 64% to $12,712 daily today. Annual coal import quotas were substantially met by end Q3 making for a much quieter Q4, despite coal shortages and high prices in China, and thus putting a hole in the cape market. Politics dictates that Q4 imports should avoid Australia. This week, the authorities allocated utilities an extra 20mt seaborne quota for thermal coal over the balance of 2020, most of which will come from nearby Indonesia and the Russian Pacific in order to arrive within 2020. It helped boost the Pacific market this week with supras up 6.9% to $11,198 daily, capes up 5.7% to $12,712 and kamsars up 3.3% to $12,863. As for VLCCs, they are really taking a hit from continued destocking and extended weak demand from the spread of the virus, but are up 700% this week from $120 to $958 this week. Good in percentage, but not in absolute, terms. Politically, the pandemic has not been well handled in the West, but people in liberal democracies do not like lockdowns. Government sponsored vaccines are on their way; maybe this is one political initiative that can do shipping some good.

*Latest news is that from tomorrow China will impose anti-dumping duties of 107-212% on Australian wine imports.

^China says its Australian coal imports are failing environmental standards and it is buying instead from Mongolia, the US, Canada and Russia.

**This frustrates the rebalancing of the VLCC segment, slowing scrapping at a time when new orders have risen to 30 so far this year.

Dry Cargo Chartering

The **BDI** closed this week at 1,230 up 82 points from last week. The **cape** market closed at $12,712 up $815 from last week. Cautiously positive signs felt with the capes this week, rates pushing in the right direction, despite being slow and flat in large parts. Oldendorff fixed a Capesize TBN for their 170,000mt 10% iron ore stem from Tubarao to Qingdao with loading from 12 December onwards at $13.50. Rio Tinto fixed a TBN 170,000mt 10% ore from Dampier to Qingdao at $7.00. The *Smyrna* the 2014 build rumoured to have fixed 170,000mt 10% iron ore from Saldanha Bay to Qingdao at $10.75 to Solebay. On time charter, It was reported the *Golden Houston* (181,214-dwt, 2014) fixed for a West Australia loading trip back to Japan at $16,250.

The **panamax** market strengthened once again this week, closing play at $12,863 up $687 from last week. In the Atlantic, Bunge took the *ITG Uming I* (81,361-dwt, 2017) delivery US Gulf for a trip via Neo Panama to China at an impressive $15,800 plus a $580,000 ballast bonus, while Louis Dreyfus fixed the *Key Discovery* (82,152-dwt, 2010) delivery Recalada for a December trip with grains to Poland at $16,000. Additionally, the *Yasa H Mulla* (83,482-dwt, 2011) was fixed by Cargill delivery Falmouth for a prompt trip via Murmansk redelivery Skaw-Gibraltar range at $16,000. Over in the Pacific, Xianlong took the *Guo Yuan 8* (75,971-dwt, 2011) delivery Guangzhou for a trip via Indonesia to China at $13,000, and the *Orion III* (76,602-dwt, 2005) was reported to have fixed delivery Yeosu for a trip via East Australia redelivery India at $11,000. A TBN vessel was put forward for a 75,000 mtons 10% with coal from Gladstone to Visakhapatnam at $15.95 pmt.

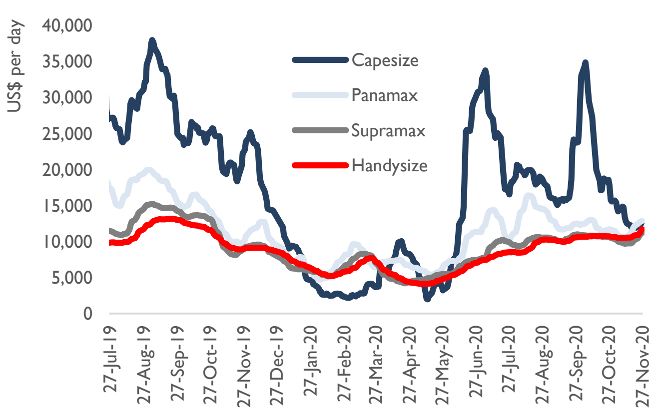
The **supramax** market kept rising trend across all basins.

The BSI closed at $11,198 up $972 from last weeks. In the Atlantic, the *Mercury Sky* (61,569-dwt, 2018) fixed delivery US Gulf for a trip redel east Mediterranean with grains at $18,000 by XO Shipping, the *NM Sakura* (60,948-dwt, 2015) fixed delivery US Gulf for a trip redelivery Mediterranean at $16,850 by Oldendorff. In Indian Ocean, the *Maximos* (63,400-dwt, 2020) was fixed for a prompt trip via South Africa redelivery Indonesia at $12,600, the *SBI Thalia* (63,500-dwt, 2015) fixed delivery Bedi for a trip via Pacific Gulf redelivery Bangladesh at $13,850. In the Pacific, the *Fareast Honesty* (56,841-dwt, 2012) fixed delivery Cebu for a trip via Indonesia redelivery South East Asia at $13,500, the *Yangtze Impression* (63,270-dwt, 2016) fixed delivery Nghi Son for a trip via Indonesia redelivery China at $16,000.

The **BHSI** closed this week at $11,685 gaining $1,144 from last week, with rates on the up across both basins. Improved sentiment was felt this week in the Atlantic, coupled with increased period activity. The *Emerald Bay* (32,311-dwt, 2008) fixed from US east coast for a trip to Ghent at $13,750. The *Great Vanguard* (38,800-dwt,2018) fixed delivery east coast Mexico for a prompt trip via US Gulf redelivery Atlantic Columbia at $17,500 with WBC. Falcon fixed the *Four Aida* (34,408-dwt,2009) delivery US Gulf for a prompt trip redelivery west Mediterranean at approx. $11,750. The *Kefalonia* (28,742-dwt, 2009) fixed delivery in the US Gulf for a grain trip the Mediterranean but the rate was not confirmed. In the Mediterranean, Norden fixed the *Angy R* (36,903-dwt, 2011) delivery Canakkale for a prompt trip via Black Sea redelivery Israel at $9,000. In the Pacific, a handymax open in the Far East was placed on subjects for short period trading at $9,000 while two 34dwt ships fixed close to $8,000 for a year. The *Lanna Naree* (33,842-dwt, 2012) open in Thailand was fixed for a trip to the Far East at $9,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Jin Wen Feng	93,696	2012	Lanshan	25 Nov	China	$12,000	CNR	Via Weipa Int Bauxite
Antonia S	81,462	2014	APS EC South America	20-25 Dec	South East Asia	$14,000	Bunge	Plus $400,000 bb
ITG Uming I	81,361	2017	US Gulf	8 Dec	China	$15,800	Bunge	Via Neo Panama Plus $580,000 bb
Captain J. Neofotistos	79,501	2012	Gibraltar	25-27 Nov	Gibraltar	$14,000	Swissmarine	Via US East Coast and Italy
Zoe	75,005	2013	Rotterdam	29 Nov	Hamburg	$16,000	Nordic	Via Kokkola
Yangtze Impression	63,270	2016	Nghi Son	29 Nov – 2 Dec	China	$16,000	CNR	Via Indonesia
Port Macau	58,730	2012	Santos	PPT	US Gulf	$12,000	Ultrabulk	
Equinox Orenda	58,689	2012	South Africa	PPT	China	$12,750	CNR	Plus $275,000 bb
Lanna Naree	33,842	2012	Thailand	PPT	Singapore-Japan	$9,000	CNR	
Anemos	28,399	2006	Santos	PPT	Skaw-Gibraltar	$14,000	Pacific Basin	Via Rio Grande



Exchange Rates	This Week	Last week
JPY/USD	104.03	103.77
USD/EUR	1.1957	1.1867

Brent Oil Price	This Week	Last week
US$/barrel	47.97	44.48

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	315.0	307.0
VLSFO	382.0	363.0
Rotterdam IFO	282.0	274.0
VLSFO	349.0	331.0

Dry Bulk S&P

Another block of Scorpio units have been sold this week, further diminishing the stock of modern, good-quality, eco tonnage available in the market. We are seeing signs of this tightening supply beginning to have an impact of pricing. In relative terms, supply is plentiful, but confidence in a post-Covid world is beginning to grow and more buyers are stepping forward.

A good illustration of this is the sale of Sea Melody (58,117-dwt, Tsuneishi Cebu). With her surveys freshly passed and BWTS fitted she was committed earlier in the month at something in the $10.5-10.75m range, but when the original deal faltered she was quickly snapped up at $11m by Greek buyers. Meantime, off-market, Indigo Devotion (55,623-dwt,2011 Mitsui) is reported sold in the region of $11m range to Greek buyers.

The Scorpio units are SBI Antares, *SBI Bravo, SBI Hydra* and *SBI Maia* (all about 61,300-dwt, 2015 NACKS). Pacific Basin are rumoured the buyers at $16.75m each which suggests that no or very little premium has been paid for the scrubbers fitted on each.

The kamsarmax market remains active, but until the last remaining Scorpio units are sold, prices will continue in their "last done" groove. Bulkseas are reportedly the buyers of *Leda* (82,165-dwt, 2013 Tsuneishi Fukuyama) at $16.8m, while the similar *Cetus Ocean* (82,986-dwt, 2013 Sanoyas) achieved something in the low/mid 17s – reflecting her better survey position and fitted BWTS.

Elsewhere a good price has been achieved by the newcastlemax *Sen-Oku* (206,306-dwt, 2006 Imabari). $15m would seem to outperform recent sales, but we note she has a t/c attached until August next year and this might account for the price.

Finally a quartet of specialised supras is reported sold. The German controlled *GMB Alceme, GMB Artemis, GMB Asteria* and *GMB Athena* (all about 53,000-dwt, 2009/10) are reported sold for a substantial $34m enbloc. Their 8 hold/hatch configuration makes them slightly unusual and perhaps the price is explained by the old adage that if you want specialised tonnage you have to pay a premium, if you want to get rid of specialised tonnage you have to give a discount…. so more of a willing buyer than a willing seller.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Sen-Oku	206,306	2006	Imabari	Gearless	Chinese	$15.00m	
Leda	82,165	2013	Tsuneishi Fukuyama	Gearless	Bulkseas	$16.8m	
Cetus Ocean	82,986	2013	Sanoyas	Gearless	undisclosed	$17.25m	DD passed BWTS fitted
SBI Antares	61.593	2015	NACKS	C 4x31T	Pacific Basin	$67.00m enbloc equivalent to $16.75m each	SS/DD passed, BWTS & Scrubber fitted
SBI Bravo	61,587						
SBI Hydra	61,115						
SBI Maia	61,105						
Sea Melody	58,117	2010	Tsuneishi Cebu	C 4x30T	Greek	$11.00m	SS/DD passed BWTS fitted
Indigo Devotion	55,623	2011	Mitsui	C 4X30T	Greek	-	SS/DD passed, BWTS fitted
GMB Alcmene	53,021	2009	Zhoushan Wuzhou	C 4x45T	undisclosed	$34.00m enbloc	SS/DD passed
GMB Artemis	53,022						
GMB Asteria	52,928	2010					
GMB Athena	53,035						

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Tanker Commentary

Memories of the twin market spikes of the last 12 months are fading slowly and with that sweet taste still on their lips, owners of older tonnage cannot be blamed for resisting the siren call of the scrapyards. But while storage booms give and take, forcing rates upwards and then destroying them as they unwind, ultimately what the crude market needs is an underly recovery of oil demand, which is not happening in European and American markets in the grip of a vicious second coronavirus wave.

Despite the poor returns in the spot market turnover remains brisk enough for older tonnage and the rapid decline in values in recent months seems to have slowed for the largest units. Dynacom's *Poseidon I* (305k-dwt, 2002 Daewoo) is believed to have been sold to Chinese interests for $26m basis surveys passed. Compared to other recent sales of similar aged units, this is a firm price and is in fact more in line with those sales of scrubber fitted units, such as the *ADS Page* (299k-dwt, 2002 Hitachi) that fetched $25.5m last month which also had good survey positions. We understand there are a handful of other vintage VL's that are under discussions and details of these may come to light next week.

Interest in Aframax and LR2 tonnage remains healthy this week. The sale of the *Champion Prince* (105k-dwt, 2012 Hyundai HI) is the headline. She reportedly saw interest from Union Maritime at $24.5m however nothing was finalised. We now understand she is committed to Greek compatriots East Med who have stepped up to the plate to finalise a deal at $24.1m. Only last month, the sister *Champion Princess* (105k-dwt, 2012 Hyundai HI) was tied up for $26.5m to Indian owners Great Eastern. Given both are identical sisters with similar surveys and BWTS positions, this gap in pricing highlights the softening market sentiment. This theme continues with the older tonnage where Vietnamese owners FGas added to their fleet with the *Sunny Atlantica* (114k-dwt, 2006 Samsung), changing hands for $15.5m. The *Guneshli* (104k-dwt, 2002 Namura) has been reported as sold to Russian interests for $8.5m – the last comparable sale was that of the *Minerva Zenia* (105k-dwt, 2002 Daewoo) back in September that went for $12m .

Continuing this declining trend in the suezmax market, the Indian controlled *Sri Vishnu* (158k-dwt, 2000 Hyundai HI) is sold for $11.5m basis surveys due. The last vintage units sold were from Indian compatriots Great Eastern with their *Jag Lateef* (147k-dwt, 2000 Samsung, SS due 07/23, DD due 07/21) and *Jag Laadki* (150k-dwt, 2000 NKK, SS/DD passed) for $25m en bloc earlier this month.

In the product sector, we understand that the surveys passed/BWTS fitted pumproom MR tanker *Balos* (45-dwt, 2004 Minaminippon) is under negotiations at mid $9 mill, and that the *Baltic Advance* (37k-dwt, 2006 Hyundai) has been committed at $8.5m. Finally Torm, are also reported to have sold their *Torm Camilla* (44k-dwt, 2003 STX) for $9.75m to Chinese buyers.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Jing Gang San	318,448	2013	Shanghai Jiangnan	Greeks	$48.00m	DD due 03/21
Poseidon I	305,796	2002	Daewoo	Chinese	$26.00m	DD passed
Sri Vishnu	152,923	2000	Hyundai HI	undisclosed	$11.50m	SS/DD due
Sunny Atlantica	114,896	2006	Samsung	Vietnamese	$15.50m	SS/DD due 11/21
Antarctica	114,896	2006	Samsung	undisclosed	$15.50m	SS/DD due 05/21
Champion Prince	105,258	2012	Hyundai HI	Eastern Mediterranean	$24.50m	SS/DD due 02/22
Guneshli	104,403	2002	Namura	Russians	$8.50m	DD passed
Torm Camilla	46,219	2003	STX	Chinese	$9.75m	Epoxy Phenolic

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