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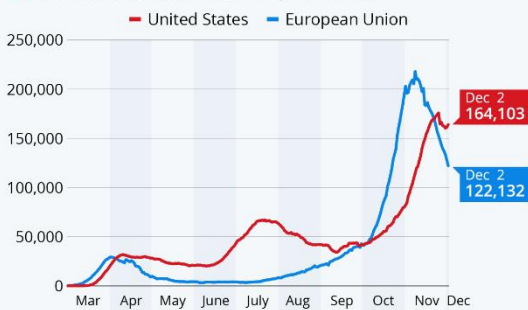
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THE BIGGER PICTURE

... Breaking the Waves? ...

Has Europe Broken the Second Wave?

Seven-day rolling average of newly confirmed COVID-19 cases in the U.S. and the European Union



Source: Johns Hopkins University



statista

Source : Statista

POINTS OF VIEW

Shipyards are hungry for business and the best way to attract attention is via competitive pricing. A combination of historically low prices and moving closer to beating Covid-19 may be behind a pick-up in ordering. It will be one thing to roll out vaccines and develop herd immunity, and quite another to deal with the colossal economic damage and mental health issues caused by voluntarily locking down society. Nonetheless, markets (whether stock, commodities or shipping) like the idea of a rapid snapback in demand from a low base, even if it will be a miracle if we get back to end 2019 demand levels by end 2021. We may see a continuation of the stock market rotation from lockdown growth stocks such as Apple, Facebook, Netflix and Zoom to post-lockdown value stocks in the energy, banking and travel sectors. In shipping, we have witnessed spikes in all three main sectors and can expect more of the same in 2021 when net fleet supply growth should be benign. The companies that are moving on newbuildings tend to be the large state actors, financial investors and the wealthiest private shipowners. They all have access to money whether it be from taxpayers, other people, equity and debt capital markets, and even their own cash. Most shipowners exist outside this club and prefer to focus upon second hand purchases given less access to cash and bank loans. Also, one could argue, good deals are available in the existing fleet giving delivery within months, rather than years, gaining crucial exposure to better markets that lie ahead in 2021-23.

We are hearing a rumour that China's Coscon is about to order 40 large containerships, 20x15,000-teu and 20x12,000-teu, maybe starting off with 5+5 of each at domestic shipyards. This must have been quite a while in the planning so it is unlikely to have been in response to a current spike in freight rates on the transpacific and Asia-Europe. With Asian exports booming, empty boxes are piling up in destination countries while carriers are dashing back to Asia with empties for the lucrative headhaul business and not waiting for US backhaul laden boxes.* It could take months to sort out. The current spike may have encouraged Coscon to pull the trigger when combined with bargain prices, a low orderbook, vaccines, the prospect of demand recovery next year and, last but not least, the strong likelihood that current propulsion systems will not be regulated out before 2050. Independent owners have to cope with competition from China which can change the future supply outlook in a heartbeat while also exercising outsized influence over future demand. It aims to carry 50% of all its seaborne imports and exports on Chinese hulls. Imagine if India did the same, but maybe not when you count Cosco's fleet of 961 versus SCI's 133, and then Cosco is but one of many large PRC state-owned shipping companies. This year, only 2x14,280-teu units were ordered, in February, after 6x12,000-teu in December, 5x14,812-teu in September, and 10x15,000-teu in March of last year. Coscon's rumoured 40-ship order could alter the landscape for the 12-15,000-teu size.

35 VLCCs were ordered in 2019, 50 in 2018 and 56 in 2017. By the end of November we were up to 30 VLCC orders after a Sino-Korean finance house ordered 10 units at KSOE last month at a reported \$89.1m each. Also in November, the famous Greek Latsis family entered the supertanker segment with two orders at HHI. Now we are hearing that CSSC Shipping is about to order up to 10 VLCCs for charter to Rongsheng Petrochemical being 2+3 each at Dalian and SWS with the firm ships set to deliver in 2022. This tranche will be used to ferry crude oil from the Middle East to RP's refinery in Zhoushan city, Zhejiang province. It has the capacity to produce 20mt of petrochemicals a year and was completed in 2019. A second similar capacity refinery will come on line next year and a third one is planned. That could take annual production to 60mt and the shipping requirement to 30 VLCCs. So far, the firm VLCC orderbook is at 34 this year, one short of last year. It shows how quickly the order pipeline can balloon when OPM and state actors are involved. Just as orders spike, VLCC demo has slowed this year. Units either side of 20 years of age have fetched as much as \$25m from obscure buyers intending to trade sanctions-bound Iranian and Venezuelan crude, as opposed to getting only about \$15m for demo. Only one VLCC has been scrapped this year after 4 in 2019, 31 in 2018 and 13 in 2017. Where is Donald 'sanctions' Trump when he's needed?

*Asia-USWC freight rates are over 5-times higher than the return leg, so carriers are foregoing loaded boxes and returning empties to Asia.

Dry Cargo Chartering

The **BDI** closed the week at 1,197, this was down from last week's close 1,230. The **cape** market closed the week at \$12,606. This was also slightly down from last week's close of \$12,712. In the Pacific, Dampier/Qingdao ore runs were fixed at \$6.65 pmt for 170,000 mtons 10%, while Port Hedland/Qingdao was fixed at \$7.20 pmt. In the Atlantic, Tubarao/Qingdao was fixed at \$12.75 pmt for 180,000 mtons 10%.

This week the **panamax** market slipped to close at \$11,983, down \$880 from last week's \$12,863. In the Atlantic, Cargill took the *Star Topaz* (82,044-dwt, 2019) delivery US Gulf for a trip to the Far East with routing in their option at a strong \$15,500 plus a \$550,000 ballast bonus as well as the *Nea Elpis* (82,177-dwt, 2011) delivery East coast South America to the Continent at \$16,000. In the Indian Ocean, Oldendorff fixed the *Ruby Star* (79,200-dwt, 2011) delivery retro-sailing Gangavaram for a trip via South Africa to China at \$11,900. In the Pacific, NYK were linked with the *Alpha Discovery* (82,057-dwt, 2016) delivery Yosu for a North Pacific round trip with coal at \$13,000, while on the period front Glencore took on the *Artemis* (79,602-dwt, 2006) delivery out of dry-dock in Qingdao for 13/16 months at \$10,250 with worldwide redelivery. The Steel Authority of India took a TBN vessel for a 75,000 mtons 10% coal stem from Dalrymple Bay to Visakhapatnam at the end of the month at \$15.10 pmt.

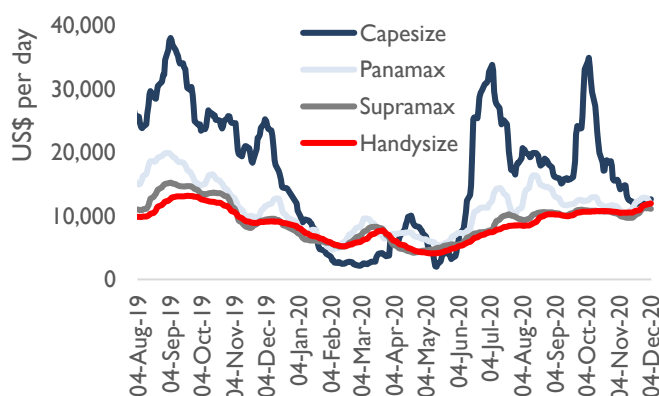
The **supramax** market slowed down for some routes, especially in the East where prompt demand is running out. The BSI closed at \$11,121, down a fraction from last week's \$11,198. In the

Atlantic, the *Common Faith* (57,002-dwt, 2009) was fixed delivery Ghent for a prompt trip via the Baltic redelivery Nemrut Bay with scrap at \$17,000 by Whitelake Shipping, and the *Santa Teresa* (63,481-dwt, 2019) fixed delivery SOM for a trip to US East Coast at \$11,000. In the Indian Ocean, the *FLC Fortune* (53,456-dwt, 2010) was fixed for a prompt trip delivery Haldia via East coast India to China with iron ore at \$11,300, and the *Beatrice* (55,700-dwt, 2009) was fixed delivery Richards Bay for a trip redelivery Bangladesh at \$11,900 plus a \$190,000 ballast bonus by Delta. In the Pacific, the *Shimanami Queen* (61,472-dwt, 2011) was fixed delivery CJK for a prompt trip via the Philippines to North China at \$12,500 by Fullinks, and the *SFL Humber* (56,970-dwt, 2012) was fixed delivery Xiamen for a prompt trip via Indonesia to West coast India at \$8,750 by Platina.

The **handy** market closed the week at \$11,952, up from last week's close of \$11,685. In the Pacific, a 32k-dwt fixed a quick Indonesian coal run at \$9,500 while a 33k-dwt fixed similar at \$10,500. Further North a 32k-dwt fixed \$8,500 ex China to the Persian Gulf. We also heard a 33k-dwt fixed \$8,000 for short period ex Lanshan. The Atlantic remained steady, driven by the US Gulf and East coast South America markets that continued to firm. *Double Diamond* (33,145-dwt, 2011) fixed an impressive \$13,500 delivery Pecem into the US Gulf, while the *Drawno* (38,520-dwt, 2018) fixed delivery Veracruz for a prompt trip via US East coast redelivery Continent at \$13,500. Across the pond, *SSI Endeavour* (37,800-dwt, 2020) fixed delivery Antwerp for a trip with scrap to Egypt at \$17,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Ocean Artemis	93,103	2011	Tanjung Bin	2-3 Dec	China	\$13,000	Polaris	Via South Africa
MG Sakura	84,808	2016	Retro Port Kelang	23 Nov	US Gulf	\$12,900	Olam Intl	Via US Gulf
Valiant Summer	81,920	2016	Aps US Gulf	2 Dec	Singapore-Japan	\$16,500	Cargill	Plus \$650,000 bb
Tinos	81,391	2011	Gibraltar	26 Nov	Liverpool	\$14,000	Cargill	Via Baie Corneau
Wu Zhu Hai	76,428	2008	Rotterdam	3 Dec	Malaysia	\$22,000	Atlantic Coal & Bulk	
Africa Graeca	74,133	2002	Yeosu	1-5 Dec	China	\$10,500	Olam Intl	Via NoPac
Andromeda	63,459	2016	Busan	PPT	Indonesia	\$9,750	Oldendorff	Via NoPac
Common Faith	57,002	2012	Ghent	PPT	Nemrut Bay	\$17,000	Whitelake Shipping	Via Baltic Int Scrap
Fedra.GR	37,301	2020	N Brazil	PPT	Norway	\$16,000	NYK	
Double Diamond	33,145	2011	Pecem	9-12 Dec	US Gulf	\$13,500	Meadway	



Exchange Rates	This Week	Last w353.0eek
JPY/USD	103.94	104.03
USD/EUR	1.2166	1.1957

Brent Oil Price	This Week	Last week
US\$/barrel	49.33	47.97

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	316.0	315.0
VLSFO	385.0	382.0
Rotterdam IFO	283.0	282.0
VLSFO	353.0	349.0

04 December 2020

Dry Bulk S&P

Scorpio Bulkers continue their sell off with three further ultramax sales formally announced and rumours circulating that the Kamsarmax SBI Lynx is committed too. As the Scorpio dry fleet continues to rapidly shrink it won't be long before Buyers will have to start looking elsewhere for modern, eco ultras and kamsarmax.

The two 2016 Mitsui ultras fetched \$19.2m each, a surprisingly significant premium over the same age NACKS vessels which went for \$16.75m. We understand both Mitsuis will be delivered in the Atlantic which accounts for part of the premium.

We understand the tier 2 handy bulker *Giovanna* (34,146-dwt, 2011 Dae Sun) is sold for \$8.45m, a good price in line with the sister which sold two months ago from the same owners and Buyers again paying up for Atlantic delivery. With significant congestion in multiple ports in China at present and handy earnings firming in the Pacific some

Buyers may see value in the ships delivering Far East.

The VLOC *Gaia Celeris* (229,045-dwt, 2006 Namura) is reported to have sold for \$12m. It is not often we see VLOC change hand in the second hand market and it is interesting to see how significantly she has been discounted to the same age newcastlemax, *Sen Oku* (206,306-dwt, 2006 Imabari) which reportedly fetched \$15m last week.

On the supramaxes, the Turkish owned *Ocean Pearl* (55,557-dwt, 2004 Oshima) was sold to Turkish Buyers for around \$8m. There are suggestions the next best offer seen was in the low \$7s leading some to question the veracity of the price. One market sale, with numerous Greeks and Turkish Buyers fighting it out was *Andes Queen* (52,33-2013 Shin Kurushima) which sold for \$11m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
<i>Gaia Celeris</i>	229,045	2006	Namura	Gearless	undisclosed	\$12.00m	
<i>Sangeet</i>	95,655	2012	Imabar	Gearless	Polembros	\$15.50m	DD passed
<i>SBI Lynx</i>	82,012	2018	Jiangsu Newyangzi	Gearless	Transocean	\$22.00m	BWTS/Scrubber fitted
<i>Wookie</i>	81,755	2012	Guangzhou Longxue	Gearless	Modion Maritime	\$12.00m	
<i>Ocean Eagle</i>	74,082	2001	Daewoo	C 4x30T	Hoanh Son Group, Vietnam	\$7.20m	SS/DD 03/21
<i>SBI Gemini</i>	63,655	2015	Chengxi	Gearless	undisclosed	\$16.00m	BWTS & Scrubber fitted
<i>SBI Poseidon</i>	60,432	2016	Mitsui	C4x30T	M Maritime	\$38.40m enbloc	BWTS & Scrubber fitted, SS/DD due 2H 2021
<i>SBI Apollo</i>	60,437						
<i>Ocean Pearl</i>	55,557	2004	Oshima	C 4x30T	Turkish Buyers	\$8.00m	SS/DD passed, BWTS fitted
<i>Andes Queen</i>	52,333	2013	Shin Kurushima	C 4x30T	undisclosed	\$11.00m	
<i>Jag Roopa</i>	52,454	2006	Tsuneishi Corp	C 4x30T	undisclosed	\$6.90m	
<i>Giovanna</i>	34,146	2011	Dae Sun	C 4x30T	undisclosed	\$8.45m	SS/DD due 05/21, Tier II, Atlantic Delivery
<i>Fearless</i>	30,778	2001	Nakai	C 4x30T	Middle Eastern	\$4.20m	

Tanker Commentary

In the short term COVID19 restrictions are denting oil demand, in the long term the world's major economies are re-committing to tougher de-carbonising schedules. So while the bulk and container markets are off to the ball, the tankers remain in the Cinderella role. We wait to see how quickly the vaccination programme can take up the role of the fairy godmother, restoring confidence and demand.

The second tranche of vessels from the Ocean Tankers fleet called for offers early this week, with offers invited on two LR2's, a LRI and a MR2. Willing sellers and a number of interested buyers will help to reset benchmarks next week.

Until then we are picking over a few sales of older units at "last done" levels. In the aframax segment, Pleiades are reported to have offloaded the *Pamisos* (105k-dwt, 2011 Sumitomo) to compatriots NG Moundreas for \$22m, basis surveys passed and BWTS fitted. The same sellers offloaded the sister *Kalamas* (105k -dwt, 2011 Sumitomo) also at \$22m last month – with similar survey and BWTS positions.

We have also seen two older units from Middle Eastern owners SOCAR changing hands this week. The *Baku* and *Azerbaijan* (105k-dwt, 2003 Sumitomo) are believed to have been committed for \$18m enbloc basis delivery in December – it's worth noting both vessels have dry docking due. Last week we reported that SOCAR had sold their *Gunshli* (104k-dwt, 2002 Namura) for \$8.5m basis DD passed, suggesting this week's sale is in line with their last transaction.

In the LRI sector the *Martina* (74k-dwt, 2006 Onomichi) has reportedly been sold for \$12.5m to undisclosed interests with surveys due March next year. This is the first deal of this size and vintage since August, when the sister vessel *Hafnia America* (74k-dwt, 2006 Onomichi) fetched \$12m – she was sold at the time with just over a year left of trading until docking.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
<i>Pamisos</i>	105,335	2011	Sumitomo	NGM	\$22.00m	SS/DD passed, BWTS fitted
<i>Baku</i>	105,387	2003	Sumitomo	undisclosed	Committed for \$18.00m enbloc	Delivery December, DD due within the next 3 months
<i>Azerbaijan</i>	105,250					
<i>Martina</i>	74,993	2006	Onomichi	undisclosed	\$12.50m	Epoxy

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
<i>Cartola</i>	153,071	2000	Hyundai HI	Tank	22,870	388	Indonesia
<i>Bosporus</i>	96,755	1994	Samsung HI	Tank	14,142	400	Bangladesh

Should you have any queries about the content of this report or require any services of Hartland Shipping Services, please contact:

Hartland Shipping Services Ltd, London

Tel: +44 20 3077 1600
 Fax: +44 20 7240 9603
 Email: chartuk@hartlandshipping.com
 Email: snpuk@hartlandshipping.com
 Email: consult@hartlandshipping.com

Hartland Shipping Services Ltd, Shanghai

Tel: +86 212 028 0618
 Fax: +86 215 012 0694
 Email: snpcn@hartlandshipping.com

Hartland Shipping Services Pte. Ltd, Singapore

Tel: +65 6702 0400
 Email: chartops.sg@hartlandshipping.com

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