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THE BIGGER PICTURE

... It's about more than just Fish^ ...



Source : The FT / James Ferguson

^Macron recalled Churchill when he suggested that the British should "Keep Calm and Carry On!". Johnson might have replied, recalling Marie Antoinette, "Let Them Eat Cod!" (and we will keep our scallops)!

*Hopefully we would avoid a jingoistic 'Britain First' equivalent to the 'America First' slogan or a nationalist 'Made in Britain' equivalent to the 'Made in China' slogan. But a surge in patriotism may achieve both.

POINTS OF VIEW

The US-China trade war, that started in July 2018, taught us the fungability of trade and the unintended consequences of protectionist tariffs. The initial US tariffs were on \$50 billion of Chinese imports and were met by reciprocal tariffs to the same value. Caught in the crossfire were soybeans, America's largest agricultural export to China, suddenly subject to 25% import duty. In undisturbed 2016, China imported a total of 93.5mt of soybeans, 65% of global soybean imports, with Brazil accounting for 44% and the US 42% of the total. In 2016, the US exported 59.2mt, or 50%, of its 116.9mt of production while Brazil exported 63.1mt, or 55%, of its 114.1mt of output. In that year, 62% of US soybean exports went to China, making it an important trade for American farmers. The Chinese imposition of 25% import duty on US beans seemed to be an illogical and self-harming measure, as it raised costs to Chinese crushers. It was made easier by the fact that African swine fever led to a cull of 40% of its 350 million domestic herd. As China switched its buying interest to Brazil, US soybean prices fell and Brazilian prices rose. US beans that had previously been sold to China replaced Brazilian beans in Europe. US farmers got paid less and Chinese crushers paid more; everyone lost in the US-China axis while Brazil booked large profits and planted more. Even Canada took advantage of high prices to sell its beans to China, buying in cheaper US beans for its own processors. The whole exercise illustrates how dynamic and fungible world trade is, also the utter futility of tariffs and protectionism. US farmers were bailed out from the pot of import tariffs (paid by US consumers) while Chinese buyers paid dearly for a political statement.

Something similar is happening in Australia's current and flourishing trade war with China. After criticism of China's role in originating Covid-19, its militarisation of the South China Sea, its repression of Hong Kong and its removal of Huawei from its 5G networks, the Middle Kingdom hit back good and hard. It imposed 80% import tariffs on high quality Australian malting barley, killing the trade, with that barley going instead to Saudi Arabia as camel feed, at lower prices, while China replaced it with more expensive barley from more distant France, Ukraine, Argentina and Canada. China also applied punitive tariffs on Aussie meat and wine imports. It has unofficially banned Australian coal imports which has left many ships stranded off China or diverted to other buyers in places like India, Japan and South Korea. Australian thermal coal can be substituted by nearby supplies from Indonesia and the Russian Pacific, and from farther away South Africa and Colombia, but coking coal is more difficult. Limited quantities can be imported overland from Mongolia by truck and in much larger quantities from the far away US. Tariffs create winners and losers, but mostly losers. Ironically, shipping wins when soybean, barley and coal supply chains are elongated and extra ton-miles are generated.

A UK-EU trade deal is proving illusive as Europe appears to be intent of punishing us for leaving, while sending out a warning to other members of the EU-27 to hold the line. It definitely has the whip hand. FT data tells us that Britain sends 43% of its exports to the EU while Germany, France and Italy each send about 6% of their exports to the UK. The UK population is 67m against the EU at 447m. To get a deal done, the UK would have to compromise on its ambition to regain total sovereignty. However, as we will remain neighbours, and hopefully friends, the EU should avoid overplaying its hand and giving the British people the impression that they have been stitched up.* The UK will suffer greater economic damage but choice and the fungability of trade provide alternatives. Cars that are made in the UK, or imported from outside the EU, can replace imported German ones and French champagne and cheese easily can be replaced by our own fine versions. Italian prosecco may be relieved as our battle is with the dominant northern European states not the southern and eastern ones that feel equally repressed. 48% average tariffs on our lamb exports to Europe will flood our own market and collapse prices, good for our consumers, if not our farmers. The collateral damage may be that we stop importing seasonal NZ lamb which the EU can buy instead of our Welsh lamb. Even a marginal change in buying habits, well short of a patriotic surge, will cause harm. So, remember the fungability of world trade and the freedom of choice. They count!

Dry Cargo Chartering

The **BDI** closed today at 1,325 up 114 points from last week. The **cape** index continued its charge this week closing today at \$14,943 up \$3,054 from last week. The usual 170,000 mtons ore run from Port Headland to Qingdao was fixed with Rio Tinto on a Pacbulk TBN at \$6.95 pmt. The 2014 built, *Dignity* was fixed at 180,000 mtons 10% from Tubarao to Qingdao for \$13.75 pmt with Classic. Trafigura fixed the *Mount Faber* from Sudeste to Qingdao at 170,000 mtons 10% for \$14.80 pmt. On time charter, Koch fixed the *Baltimore* (177,243-dwt, 2005) delivery CJK for 7/9 months redelivery Singapore-Japan range at \$13,500.

This week the **panamax** market slipped to close play at \$12,621, down \$562 from the previous week. In the Pacific, Panocean fixed the *Galatea* (81,359-dwt, 2011) delivery Zhoushan for a North Pacific round trip at \$11,500, while K-Line took the *AD Astra* (81,161-dwt, 2015) delivery Jingtang for a prompt trip via East Australia to Japan at £12,000. Over in the Atlantic, the *Vitahorizon* (74,483-dwt, 2007) was fixed delivery east coast South America for a trip to South East Asia at \$13,500 plus a \$350,000 ballast bonus by Cofco. Nordic took the *Coral Crystal* (78,103-dwt, 2012) delivery Ijmuiden for a trip via the Baltic to Skaw-Gibraltar range at \$20,500. On the period side of things, the *Pansolar* (76,343-dwt, 2005) was fixed for 11/13 months delivery Manila at \$11,000 redelivery in the Far East. Additionally, a Cosco TBN vessel was put forward for a Salzgitter coal stem of 75,000 mtons 10% from Mobile to Hansaport at \$16.50 pmt.

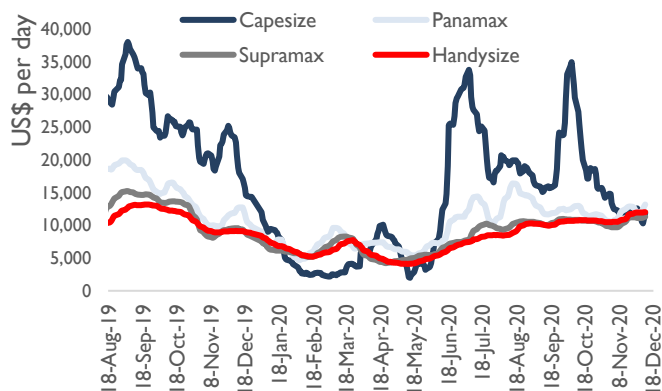
The **supramax** market remained stable this week mostly everywhere. The **BSI** closed at \$11,631 up from last weeks \$11,337. In the Atlantic, the *FJ Star* (61,225-dwt, 2016) was fixed delivery Sepetiba for a prompt trip redelivery US Gulf with steels at \$13,250 by Ultrabulk, and the

Daimongate (63,496-dwt, 2017) was fixed delivery north Brazil for a prompt trip redelivery Egypt at \$18,000 by Norvic. In the Indian Ocean, the *Pacific Talent* (61,408-dwt, 2016) was fixed for a trip delivery West coast India via the Red Sea redelivery India at \$14,000, and the *SBI Hermes* (61,272-dwt, 2016) fixed delivery Probandar via West coast India redelivery China at \$14,500. In the Pacific, the *Multan* (50,244-dwt, 2015) was fixed delivery Panjin for a trip via CIS redelivery South Korea at \$8,600 by Haesung Song, while the *Indigo Devotion* (55,623-dwt, 2011) fixed delivery Manila for a prompt via Indonesia redelivery China \$13,000.

The **handy** market stayed firm and gained \$179 on the indices from last week, closing at \$12,203. The Atlantic remained busy with period demand still holding strong, covering Owners well into Q1 despite signs of the market come off as we approach Christmas. The *Interlink Activity* (38,710-dwt, 2010) fixed delivery Otranto for a trip redelivery US Gulf at \$12,250. The *Allegra* (24,175-dwt, 1995) fixed delivery Kaliningrad for a prompt trip via Baltic redelivery Continent intention harmless bulk for \$12,500 and *Queen Island* (37,802-dwt, 2012) fixed a prompt trip to China at \$19,250. In the Americas the *ES Mercury* (32,248 dwt, 2008) fixed delivery Cartagena for a prompt trip via Jamaica redelivery Mississippi River intention alumina at \$13,000 with Pacific Basin. The east coast South American market continued to tick upwards as it was rumoured the *Kociewie* (38,981-dwt, 2009) open North Brazil was fixed by MUR for a prompt trip with alumina via Vila do Conde to Norway at \$13,500. In the Indian Ocean, the *V Uno* (37,888-dwt, 2015) fixed delivery Kakinada for 3/5 months at \$8,400 with worldwide redelivery. Over in the Pacific, we heard that the *Everest K* (35,065-dwt, 2009) fixed delivery Inchon for a short trip via Japan to China at \$10,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Helvetia One	92,737	2012	Singapore	21/22 Dec	Taiwan	\$17,000	U-Ming	Via Indonesia
Nea Tyhi	82,211	2009	Gibraltar	16 Dec	Skaw-Gibraltar	\$15,000	Cargill	Via EC South America
Bacco	82,188	2011	EC South America	4 Jan	Singapore-Japan	\$14,500	Cofco Agri	Plus \$450,000 bb
Coral Crystal	78,103	2012	Ijmuiden	18/20 Dec	Skaw-Gibraltar	\$20,500	Nordic	Via Baltic
Panstar	76,629	2005	Port Dickson	19/25 Dec	Hong Kong	\$16,250	Norden	Via Indonesia
Majorca	74,332	2005	Aps US Gulf	7 Jan	Singapore-Japan	\$15,250	Polaris	Via Panama Old Locks Plus \$525,000 bb
FJ Star	61,225	2016	Senetiba	PPT	US Gulf	\$13,250	Ultrabulk	
Amoy Progress	56,961	2011	Ningde	PPT	China	\$11,000	CNR	Via Indonesia
Everest K	35,065	2009	Inchon	12 Dec	China	\$10,000	CNR	Via Japan
Arki	30,271	2011	EC Mexico	PPT	Ireland	\$15,000	WBC	Via Texas



Exchange Rates	This week	Last week
JPY/USD	103.33	104.07
USD/EUR	1.2244	1.2132

Brent Oil Price	This week	Last week
US\$/barrel	52.11	50.01

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	325.0	313.0
VLSFO	400.0	393.0
Rotterdam IFO	301.0	288.0
VLSFO	380.0	360.0

Dry Bulk S&P

Scorpio continue selling out which gives us a unique perspective on the market. It is not often a major listed owner sells out multiple sister ships announcing each sale in turn. The last three weeks has seen SBI report three 2015 built Chengxi ultramaxs: The *SBI Gemini* (64k-dwt, 2015 Chengxi, scrubber fitted) for \$16m two weeks ago. *SBI Orion* (64k-dwt, 2015 Chengxi no scrubber) for \$16.1m last week. *SBI Ariès* (64k-dwt, 2015 Chengxi, scrubber) for \$16.5m this week. Buyers are not paying a premium for scrubber fitted units which has been clear to see over the past few months of their sell off. We enter Christmas with a clear sign that prices are picking up.

The volume of sales is a further sign of Buying confidence. We are reporting 19 dry sales this week, the highest number in a week this year. 2020 has posed numerous challenges for S&P transactions. As the world went into lockdown, the inability to inspect or physically delivery vessels was replaced by uncertainty around the long term economic impact and the knock on effect on cargo volumes. Willing Buyers and Sellers have found ways round the logistical challenges and the outlook for next year looks positive.

Thank you for your support throughout the year, we wish you a happy and healthy Christmas.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Netadola	207,991	2017	Jiangsu Newyangzi	Gearless	Maran	\$38.20m	Scrubber & BWTS fitted
Xanadu	208,827	2017	Jiangsu Newyangzi	Gearless	JPM	\$38.20m	Scrubber & BWTS fitted
MG Courage	206,254	2007	Imabari	Gearless	Golden Union	\$14.50m	
Spartacus	179,156	2011	Sundong	Gearless	JPM	\$18.75m	5 year TC to Trafigura
Key Evolution	83,416	2010	Sanoyas	Gearless	Greek	\$14.70m	SS/DD Passed, BWTS fitted
Resurgence	81,622	2012	Guangzhou Longxue	Gearless	Modion Maritime	\$12.00m	
King Peace	79,025	2011	Nanjing Wujiazui	Gearless	undisclosed	\$9.55m	SS/DD due 06/21, BWTS fitted
Coral Amber	78,072	2012	Shin Kurushima	Gearless	Dileton, Greece	\$14.30m	DD Passed, BWTS fitted
Golden Shea	76,939	2007	Namura	Gearless	Chinese	\$10.00m	
Very Maria	73,910	2001	Namura	Gearless	undisclosed	\$5.50m	SS/DD due 09/21
SBI Ariès	63,605	2015	Chengxi	C 4x30T	Eagle Bulk	\$16.50m	SS/DD passed, Scrubber & BWTS fitted
Densa Cougar	57,592	2012	STX Offshore	C 4x 30T	Greek	\$10.30m	
Sam Lion	57,200	2012	STX Offshore	C 4x30T	Chinese	\$10.37m	Auction
Pangea	55,660	2012	Hyundai Mipo	C 4x30T	Far Eastern	\$9.50m	SS/DD due
Louise B	55,625	2011	Hyundai Vinashin	C 4x30T	Chinese	\$9.60m	
Azzura	52,050	2004	IHI	C 4x30	Chinese	\$6.40m	BWTS fitted, SS/DD passed
Turquoise Ocean	38,529	2011	Minaminippon	C 4x30T	undisclosed	\$9.80m	SS/DD due 08/21
Asahi Maru	38,215	2011	Imabari	C 4x31T	Greeks	\$10.00m	SS/DD due 07/21
Union Anton	32,077	2010	Hakodate	C 4x30T	undisclosed	\$8.50m	SS/DD passed, BWTS fitted

Tanker Commentary

Pantheon Tankers have found a buyer for their *Sea Lion* (318k-dwt, 2003 Hyundai Samho) at \$25.5m – she had been fixed earlier this year to Chinese interests at \$27m. With costly surveys and ballast water installation coming up next year, combined with a charter market that is dragging its heels, the decision to offload before the end of year is the ever more tempting. In addition, Maran Tankers have followed a similar route selling the *Maran Regulus* (310k-dwt, 2000 Samsung), which has been reported sold for \$21m with surveys due mid 2021. The last similar aged VLCC that was sold was the *Chryssi* (298k-dwt, 2000 Kawasaki) back in October for \$22m with surveys also due next year.

Two of the Xihe Holding LR2's have now been reported as sold to Union Maritime. The *Ocean Unicorn* (108k-dwt, 2009 SWS - DPP) and the *Ocean Quest* (108k-dwt, 2008 SWS - CPP) have both been sold in the region of \$15-16m each.

Unnamed Middle Eastern interests have purchased four CPP trading LRI tankers, namely the *Nordmars* (74k-dwt, 2004 Hyundai HI) and sisters *Nordmerker*, *Nordneptun*, *Nordvenus* for a price of \$41m en bloc. All have surveys freshly passed. Earlier this month the Japanese built *Maritina* (75k-dwt, 2006 Onomichi) was sold for \$12.5m basis surveys due. The discount for Chinese built units is highlighted in this week's sale of the *Compassion & Compass* (72k-dwt, 2006 Dalian) – both have been sold with surveys due for a price of \$7m each.

Finally in the MR space the pumphoom configuration *Opal Express* (48k-dwt, 2006 Iwagi Zosen) is believed to have been fixed at US\$9.75 mill with surveys due next year. Only last month was the sister vessel *Yayoi Express* (48k-dwt, 2006 Iwagi Zosen) sold for \$12m with similar survey positions.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Sea Lion	318,778	2003	Hyundai Samho	Far Eastern	\$25.50m	
Maran Regulus	310,106	2000	Samsung	undisclosed	\$21.00m	DD due 06/21
Ocean Unicorn	108,040	2009	SWS	Union Maritime	\$15-16.00m each enbloc	DPP - SS/DD passed
Ocean Quest						CPP - SS/DD passed
Nordmars	74,999	2004	Hyundai HI	Middle Eastern	\$41.00m enbloc	SS/DD passed
Nordmerkur						
Nordneptun						
Nordvenus						
Compassion	72,782	2006	Dalian Shipbuilding	undisclosed	\$7.00m each enbloc	SS/DD passed
Compass	72,768					
Opal Express	48,635	2006	Iwagi Zosen	undisclosed	\$9.75m	SS/DD due 05/21

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	\$/LDT	Destination
Gulf Adventure	9,215	1994	Hyundai HI	Tank	3,552	390.00	Khor Fakkan

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