12 February 2021

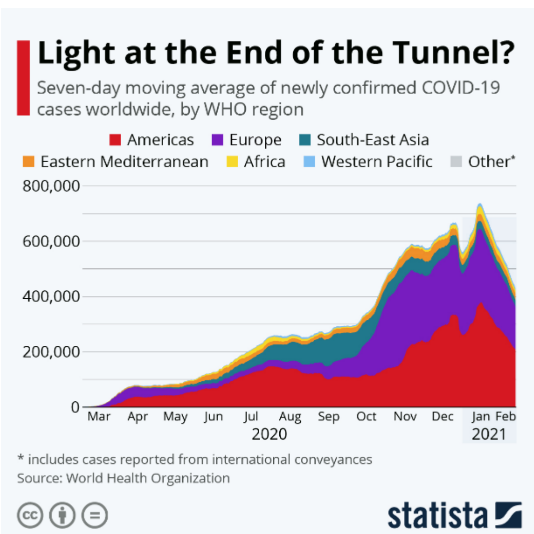
HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

CONTENTS

THE BIGGER PICTURE

… We may soon be dancing again ! …



Source : Statista

^CRS data forecasts to end 2022, fleet growth being deliveries less estimated slippage, scrapping, losses, conversions and cancellations.

*Fleet v. demand growth. 2019: 4.0% v. 0.5%; 2020: 3.7% v. 0.1%; 2021: 2.6% v. 3.7%; and 2022: 0.6% v. 2.8%. We may be dancing after all!

POINTS OF VIEW

Everyone in shipping agreed that we would never again see the strong dry cargo market of 2007-08. It was formed by the coincidence of unexpectedly strong cargo demand growth meeting unusually weak tonnage supply growth. Having just emerged from the turmoil of the 1997-98 Asian Financial Crisis, the new millennium started badly. We had the dotcom crash in 2000, a US recession in 2001, 9/11 later that year, and the ensuing US and allied invasion of Afghanistan. Operation Enduring Freedom was launched on October 7, 2001 and it still endures to this day, even if in a more low-key and variant form. This cocktail of events had a deeply negative impact on sentiment, confidence and global demand. It also helpfully translated into lower ordering and higher scrapping.

Here, we first examine three 5-year periods: pre-boom (1999-2003), boom (2004-2008) and post-boom (2009-2013). They are the 'abstinence', 'party' and 'hangover' periods. In abstinence, the dry bulk fleet expanded by an average of only 2.8% a year to 302.9m-dwt. This low fleet growth phase primed the market for the party period. In party, the fleet grew by a higher average of 6.8% a year to 420.9m-dwt. In hangover, the fleet expanded by an average of 11.7% a year to reach 731.5m-dwt. Notably, in abstinence, only 105.6m-dwt of bulkers were ordered. In stark contrast, in 2007 alone, just as the party was in full swing, 161.2m-dwt was placed. Drugs may have been involved. We went from greed in party mode (ordering again and again) to fear in hungover remorse (ordered too much). Egregious ordering gave way to headache years of delayed, over-priced, re-negotiated and unwanted ships trickling into the market, prolonging oversupply. It also taught us a lesson. In the next and 4th 2014-2018 period, the fleet expanded only 2.9% a year and, in the first four years of 2019-2023^, only 2.7% a year fleet growth is forecast.

That covers supply, so what about dry bulk demand in the five 5-year periods from 1999 to 2023? Much is attributed to China and its entry into the WTO in December 2001. It is said to have availed itself of all of the perks of membership while flouting most of the rules but, let's be honest, the world has benefited from China's turbocharged growth. It was an important demand driver from the tailend of the first period, then it really got into its stride in the second. In tonnage terms, demand rose on average by 5.0% a year in the first (abstinence), 6.0% in the second (party), 5.9% in the third (hangover), 2.1% in the fourth, and is forecast to grow 1.3% in the first 4 years of the fifth. Dry bulk cargo demand has risen prolifically from 1,918mt in 1999 to a forecast 5,441mt in 2022.

To summarise, average supply growth versus average demand growth in each of the five periods was as follows. 1st: 2.8% v 5.0%; 2nd: 6.8% v 6.0%; 3rd: 11.7% v 5.9%; 4th: 2.9% v 2.1%; and 5th: 2.7% v 1.3%. The first period of low supply set the scene for the boom in the second, even though supply still exceeded demand in that 5-year period. Operating inefficiencies probably balanced the market and, to get closer to what actually happened, we would need to drill deeper from a macro sector to a micro segment analysis. We also need to look within the 5-year periods. In 2006, supply rose 6.7% against demand growth of 11.4% and, in 2007, supply rose 6.7% against demand growth of 12.2%. Therein lies the secret to that demand-led boom: demand growth exceeded supply growth by an average 5.1% a year in 2006 and 2007. In 2008, supply was at 7.7% and demand at 1.6%. The peak was mid-year but, after Lehman's collapse in September, it sank like a stone.

The question is, are we about to revisit the boom time of the 'party' years? It may be more of a cocktail party with canapés than a full-blown party with dancing. The duration and amplitude of that boom might be replaced by a calmer and more staccato event. Whereas that boom was demand-led, this one will be supply-led, one built on past restraint. In the 4th period we saw average fleet growth of 2.9% versus demand growth of 2.1% a year and, in the 5th, we expect 2.7% versus 1.3%. These are already close but actually invert when viewed annually*, tipping in favour of the fleet. One caveat is success in reducing coronavirus transmission, the efficacy of vaccines and attaining global herd immunity, a tall order. But, by 2023, IMO rules, regs and targets will accelerate fleet obsolescence and our staccato supply-led boom may just become more persistent.

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Dry Cargo Chartering

The **BDI** closed the week at 1,339 points, up ever so slightly from the previous week. The **cape** market slipped further this week ending up at $10,304, a decline of $2,358. Rio Tinto fixed a TBN vessel for a 170,000 mtons 10% late February ore stem from Dampier to Qingdao at $5.95 pmt. CSE fixed the 2015-built *Jolanda* for 170,000 mtons 10% from Seven Islands to Luoyu and Kaohsiung at $22.00 pmt, while Cargill took the *Judd* for 180,000 mtons 10% iron ore loading Guaiba bound for Rotterdam at $6.50 pmt for early March dates. It was also reported that the *Zorbas* fixed for 170,000 mtons 10% ore from Saldanha Bay to Qingdao at just under $10.00 pmt again for March dates.

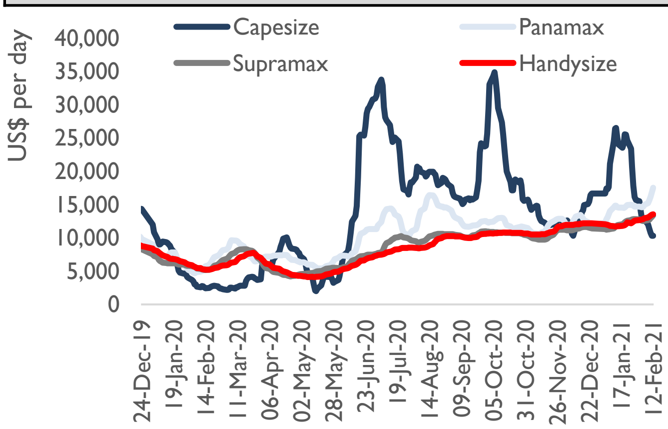
An excellent week for the **panamax** market that enjoyed an increase of $2,536 to close play at $17,496. It was reported in the Pacific that the *Aristoteles Graecia* (82,096-dwt, 2020) fixed delivery Singapore for a trip via South America back to the Far East at $16,250. A strong East coast South American market also attracted tonnage from the Indian Ocean, as we heard that the *Kerkyra* (81,376-dwt, 2012) was fixed delivery retro-sailing Haldia for a trip to Singapore-Japan range by ADMI at $15,500. From the Continent, the *Star Lydia* (81,158-dwt, 2013) fixed delivery Belfast for a trip East via North France at an impressive $33,000, while Swissmarine fixed the *Aquabeauty* (82,023-dwt, 2020) delivery Dunkrik for a trip via Murmansk to Skaw-Gibraltar range at $23,000. The period fixtures continued this week, among them the *Evangelistria* (82,514-dwt, 2007) fixing delivery Nansha for minimum 6 months to 8 months to Oldendorff at $15,000 and Reachy taking the *CL Singapore* (81,323-dwt, 2016) delivery North China for 1 year with worldwide redelivery at $14,250.

This week the **supramax** market recovered somewhat to close at $13,384, an average increase of $801. In the Atlantic, it was reported that the *White Hawk* (61,360-dwt, 2012) was fixed by Ultrabulk delivery Ghent for a prompt scrap trip to Turkey at $18,000, while the *C Lion* (58,117-dwt, 2010) fixed delivery Takoradi for a trip to the Black Sea at $14,000. In the Indian Ocean, the *Lucky Source* (53,411-dwt, 2006) was fixed delivery Shuwaikh for a trip to Bangladesh at $17,000 by Allianz, while Norvic took the *Osiris* (53,589-dwt, 2004) delivery Kandla for a prompt trip via the Gulf redelivery West coast India at $16,500. In the East, we heard that the *NS Qingdao* (56,745-dwt, 2011) was fixed delivery Putian for 1 year at $10,800 with worldwide redelivery. Additionally, the *Sarocha Naree* (63,046-dwt, 2017) was reportedly fixed delivery US Gulf for 3/5 months redelivery Atlantic at $21,000 by ABT.

The **handysize** market also rose this week, finishing off at $13,512, an increase of $575. Strong rates persisted in the Atlantic as NYK took the *Nordschelde* (37,212-dwt, 2013) delivery Mississippi River for a trip with pellets to the Continent at $19,000, while MUR fixed the *Bright Star* (34,529-dwt, 2011) delivery Greece for a prompt trip to Port Everglades with cement at $16,250. Impressive rates also continued out of South America, as it was reported that the *Amorgos* (36,063-dwt, 2014) was fixed delivery Via do Conde for a trip to Norway at $16,500 again by MUR. In the Indian Ocean, the *Eurosun* (33,774-dwt, 2012) was fixed delivery Trincomalee via East coast India to the Arabian Gulf with steels at $8,500 by Propel. In the Pacific, we heard that a smaller handy fixed delivery North China for a prompt trip to South East Asia at around the $8,500 mark, while the *Argos M* (35,338-dwt, 2010) fixed delivery Guangzhou for minimum 4 months to 6 months at $10,250 with worldwide redelivery.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
MBA Rosaria	93,236	2011	Fukuyama	14/18 Feb	Worldwide	$12,750	Oldendorff	4/7 months
Alliance	83,369	2010	ECSA	20 Feb	S.E. Asia	$16,900	CNR	Plus $690,000 bb
Beijing 2008	82,562	2007	Ube	15/17 Feb	Japan	$14,000	NYK	Via E.Australia
Aeolian Arrow	82,053	2018	Retro Singapore	25 Jan	Singapore-Japan	$16,000	Cargill	Via ECSA
Huayang Endeavour	75,492	2013	Putian	8/10 Feb	Worldwide	$12,250	Uniper	4/6 months
White Hawk	61,360	2012	Ghent	PPT	Turkey	$18,000	Ultrabulk	Int Scrap
Osiris	53,589	2004	Kandla	PPT	WCI	$16,500	Norvic	Via AG
Atlantic Spirit	35,053	2013	Continent	PPT	Atlantic	$12,000	Norden	5/7 months
Agia Triada	31,887	2009	Chalkis	PPT	ARAG	$18,500	CNR	Int Soda Ash
Magnolia	28,389	2010	Southampton	PPT	E.Med	$12,000	IBC	Int Scrap



Exchange Rates	This week	Last week
JPY/USD	105.11	105.65
USD/EUR	1.2088	1.2005

Brent Oil Price	This week	Last week
US$/barrel	61.19	59.70

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	373.0	365.0
VLSFO	501.0	479.0
Rotterdam IFO	345.0	349.0
VLSFO	452.0	444.0

Dry Bulk S&P

The weeks around Chinese New year generally see softer charter earnings. Buyers use the holiday as an excuse to drive down prices. Sellers are content to wait to see if spring's warmer temperatures also offer a hotter market. The combination of factors results results in a slow S&P market with limited activity. Not this year.

As we welcome the year of the Ox charter earnings are firm from handies up to kamsarmaxes. Capes earnings sit above 10k and the cape FFAs dramatically rose today. The bullish charter and futures market is carrying through to S&P. Values continue to rise, sales volumes are high and competition amongst Buyers remains fierce.

In the ultramax market, Scorpio Bulkers has formally changed name to Eneti Inc. They are no long Scorpio Bulkers and no longer the first point of call for Ultramax Buyers. Despite the feeding frenzy over Scorpio, there is plenty of appetite from Buyers. Seven or eight parties were reported to have inspected the Japanese controlled *Ultra Wollongong* (61,694-dwt, 2011 Oshima). The resultant bidding competition saw Pacific Basin win out, paying $13.5m.

The Post Panamax *Kind Salute* (95,790-dwt, 2011 Imabari, SS & BWTS due) was subject to plenty of competition too. Half a dozen Buyers reportedly inspected with a similar number offering. Chinese Buyers beat plenty of European competition, paying $16.5m a significant step up on the last done. Greeks paid $15.5m in December last year for the DD passed 2012 built sister, MV *Sangeet*.

These two sales show exemplify the competition, particularly around 10 year old Japanese ships, a frequent reference point for the S&P market but similar tales are linked to the rest of the sales we report.

We wish our friends in China and throughout the world happiness, health and prosperity for the upcoming year of the Bull. Gong Xi Fa Cai.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Kind Salute	95,790	2011	Imabari	Gearless	Chinese	$16.50m	SS/DD due 05/21
SBI Perseus	62,235	2016 / 16 / 16 / 15 / 15	Chengxi	C 4x30T	undisclosed	$88.00m enbloc	BWTS fitted
SBI Pisces	63,650						
SBI Hercules	63,314						
SBI Thalia	63,500						
SBI Athena	63,235						
Ultra Wollongong	61,684	2011	Oshima	C 4x30T	Pacific Basin	$13.50m	BWTS fitted & SS/DD due 06/21
Joie N	57,000	2011	Yangzhou Guoyu	C 4x30T	undisclosed	$8.40m	SS/DD due 03/21
Cooper	57,970	2011	Yangzhou Dayang	C 4x35T	Eagle Bulk	Cash share deal	
Texas							
Wilton							
Fortune Wing	55,650	2011	Mitsui	C 4x30T	undisclosed	$11.75m	SS/DD due
Orchard Quay	56,742	2011	Qingshan	C 4x30T	Chinese	$8.61m	SS/DD due 11/21
Genco Lorraine	53,416	2009	Yangzhou Dayang	C 4x35T	Far Eastern	$8.10m	
Captain Cherif	53,556	2004	Iwagi	C 4x31T	Turkish	$6.60m	
Kitana	52,454	2003	Tsuneishi Cebu	C 4x30T	undisclosed	$5.80m	DD due 05/21
Cielo Di Dublino	37,064	2011	Hyundai Mipo	C 4x36T	Israeli	$10.85m	SS/DD passed & BWTS fitted
Asia Pearl VI	35,284	2011	Nantong Changqingsha	C 4x31T	Samios Shipping	$6.00m	SS/DD due 04/21
Sapphire Island	33,664	2012	Shin Kurushima	C 4x30T	Brave Maritime	$10.50m	

Tanker Commentary

This week in the VLCC segment, older tonnage continues to be changing hands in what has been a very liquid period over the past weeks. The *Maran Castor* (306,344-dwt, 2001 Daewoo, SS/DD due 03/21) and the *Eneos Breeze* (301,013-dwt, 2003 IHI, SS/DD due Q2 2021) have changed hands this week for $22.5m and $22.8m respectively. These sales are softer when compared to the *Marion* (309,460-dwt, 2001 Samsung, SS 06/23, DD 06/21), which was reported sold last week for $24m, but the discount can be accounted for in the survey positions.

In the suezmax sector, NGM Greece have bought the *Suez Vasilis* & *Suez Fuzeyya* (158,574-dwt, 2011 Hyundai HI, SS/DD sue 05/21) for $25m each. Due to limited activity in suezmaxes of this vintage, the confirmation of these sales will set a new benchmark. Earnings continue to drag their heals with spot rates at around mid $8k day. In addition, Transmed have offloaded the *Icaria* (165,293-dwt, 2003 Hyundai Samho, SS/DD due 01/23) this week, which is reported sold for $17m to Middle Eastern buyers.

Teekay Tankers have sold the *Navigator Spirit* & *Explorer Spirit* (105,773-dwt & 105,804-dwt 2008 Tsuneishi Corp) for $16m each to Greek buyers.

NASDAQ listed Castor Maritime have been on the offensive this week targeting LR2's. They have bought two dirty trading LR2's, the *Dubai Hope and Dubai Harmony* (115,340-dwt, 2005 Samsung – SS passed Q4 2020) to Castor Maritime. The deal is concluded at a value of $27.2m enbloc and includes the balance of TC to AET at $14,500 floor with profit share until Q4 2021/Q1 2022 with options.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Maran Castor	306,344	2001	Daewoo	Chinese	$22.50m	SS/DD due 03/21
Eneos Breeze	301,013	2003	IHI	undisclosed	$22.80m	
Suez Vasilis Suez Fuzeyya	158,574	2011	Hyundai HI	NGM	$50.00m enbloc	SS/DD due 05/21
Icaria	165,293	2003	Hyundai Samho	UAE based	$17.00m	
Navigator Spirit Explorer Spirit	105,773 105,804	2008	Tsuneishi Corp	Greek	$32.00m enbloc	
Dubai Hope Dubai Harmony	115,340	2005	Samsung	Castor Maritime	$27.20m incl balance of TC to AET at US$ 14,500 floor with profit share until Q4 2021/Q1 2022 & options	SS passed Q4 2020 & LR2 trading DPP

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