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THE BIGGER PICTURE

... Is Greed turning to Fear ? ...



Source : The FT

POINTS OF VIEW

Tankers remain in the doldrums but, with the oil price recovering, the unwinding of what is left in floating storage will pave the way for better rates in the second half of this year. Containers continue to do well from supply chain disruption and an unexpectedly strong bounceback in demand from June of last year. Bulk carriers have performed strongly this year, especially in the sub-cape sizes, which reflects recovering demand and also benign future net new fleet supply. The recent under-performance of the capesize segment may be attributable to disappointing iron ore volumes out of Brazil as it struggles with bad weather and lower production, as tailings dams are checked and the workforce grapples with coronavirus. The unofficial Chinese ban on Australian coal imports has altered trade patterns and it has not played so well for the capes. China has increased imports from Indonesia and the Russian Pacific in sub-apes while India and Vietnam have stepped in to buy China's 'unwanted' Australian coal, mostly in sub-apes. China is sourcing smaller quantities from farther afield sources such as South Africa, Colombia, the US and Canada in a range of sizes. But China will soon call it a day, having caused global coal prices to surge, and resume Australian imports, as it needs this coal. It has made its point.

Bubbly equity markets corrected this week, but not before the S&P 500 hit all-time record high. The 10-year US Treasury yield spiked to 1.3% on Wednesday, from 0.9% at the start of this year and from an annual low of 0.5% last August. Investors were selling bonds, and thus pushing up yields, fearful that the government's latest \$1.9tn stimulus package, overlaid on prior interventions, will push up inflation. The Fed had said that it is willing to let inflation overshoot its 2% target. This gave new bond investors the chance to rotate out of steamy equity positions into low-risk government bonds, harvesting stock market profits in the process. Equities are likely to remain volatile* but a strong US economic recovery could see both equities and bond yields rise in tandem. As yields rise the dollar becomes more attractive to both domestic and overseas investors. A weak dollar has helped push up commodity prices and, conversely, a stronger dollar may beget weaker commodity prices and puncture high oil, gas, copper, iron ore, coal, grain and oilseeds prices. Countering such a downshift is the fact that all these commodities are in temporary short, or inadequate, supply at a time of rising demand from a cold northern hemisphere winter and a tortuous on-and-off pandemic recovery. As freight behaves like a commodity, it too will be buffeted up and down by these conflicting forces.

Let's see how dry bulk freight did in the last three months. The Baltic's BCI-5TC is now at \$14,224 daily, up 18%, while the BPI is at \$20,991 per day, up 69%. The BSI-10TC is at \$16,648 daily, up 59%, while the BHSI-7TC is at 16,233 per day, up 49%. The panamax index is the standout gainer, greatly assisted by vibrant grain and coal trades, while the handsyze is giving tremendous bang for its deadweight buck. How did a sample of dry bulk shipping shares perform, over the same period, even after this week's sell-off? Diana Shipping is up 74%; Eagle Bulk is up 66%; Golden Ocean is up 45%; Navios Maritime is up 260%; Pacific Basin is up 33% and Star Bulk is up 87%. Why such divergence? Well, look at each fleet, look at the charter rates, look at the term maturities, and then ask the day traders, see if they know. This is where they are now compared to their all-time highs.[^] Diana is down 93% on its October 2007 peak; Eagle is down 100% on May 2008; Golden Ocean is down 97% on May 2005; Navios is down 97% on October 2007; Pacific Basin is down 86% on October 2007 and, finally, Star Bulk is 99% below its November 2007 peak. Those lofty summits may not be attained again, but that still leaves massive upside potential given that all forecasts point to us being just at the start of a two year period in which demand growth is set to exceed supply growth, a rare occurrence in shipping.

Containers also deserve a look, but we will leave the tanker school report for 6 months, expecting better behaviour. In the past three months, 6-12m TC rates for an 8,500-teu unit are up 27% to \$42,000 daily while those for a 2,750-teu unit are up 24% to \$21,000 per day. Over the same period, Costamare shares are up 37% while Danaos is up 156%. They are still 61% and 93% respectively below their all-time highs. No bubbles here.

*And there could be a rebalancing process whereby hi-tech growth stocks decline while old school value stocks (like energy and financials) rise.

[^]In alphabetical order.

Dry Cargo Chartering

The **BDI** closed this week 1,698 points up 359 points from last week.

The **cape** index was up \$3,920 from last Friday to close today at \$14,224. The usual Port Hedland to Qingdao ore run were fixed at 170,000mt 10% at approx. \$8.30 to FMG. The *Mineral Utamaru* a 2016 built CCL relet fixed 190,000mt 10% from Port Hedland to Gwangyang at \$5.94. ArcelorMittal fixed a Capesize TBN vessel for their 170,000mt 10% iron ore stem from Ponta Da Madeira to Taranto at \$10.75. On time charter, China Navigation fixed *Kate* (176,405-dwt, 2011) delivery Taicang for a trip via South Africa redelivery China at \$10,500.

Another impressive week for the **panamax** market that saw time charter averages rise by \$3,495 from last week, to close at \$20,991. In the Atlantic, the *Namura Queen* (85,065-dwt, 2020) was fixed by Fayette delivery Immingham for a trip via the US East coast redelivery Gibraltar at \$26,250 with scrubber for charterer's account. In the Indian Ocean, Cofco took the *Bettys Dream* (82,641-dwt, 2008) delivery passing Muscat outbound for a trip with grains via the lucrative East coast of South America to the Far East at \$20,750, and the *Alma* (81,947-dwt, 2017) was fixed retro-sailing Haldia for a similar trip redelivery South East Asia at \$25,000. Over in the Pacific, it was reported that the *Navios Marco Polo* (80,647-dwt, 2011) fixed delivery Zhoushan for a trip via Australia to Japan at \$25,000. Period fixtures this week included Cofco taking on the *Baltia* (75,775-dwt, 2005) delivery Donghae for 10/12 months at a healthy \$15,000 with worldwide redelivery, and we also heard that the *SBI Capoeira* (81,253-dwt, 2015) fixed delivery Sakaide for 4/6 months at \$19,000 also with worldwide redelivery.

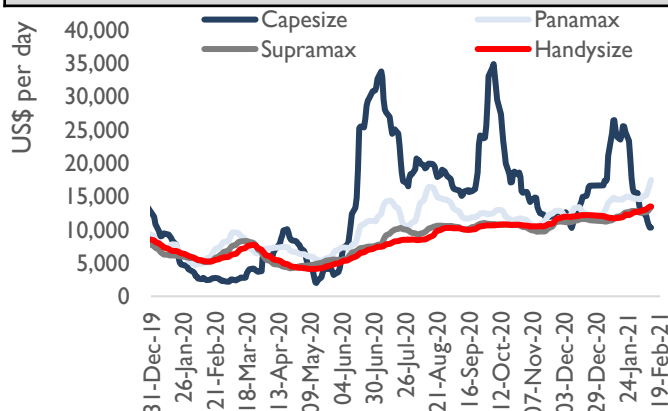
A remarkable week for the **supra** market, numbers have drastically risen from last week in all trade routes. The BSI closed at \$13,384 up from last week's \$13,384. In the Atlantic, *The Moondance II* (55,566-Dwt,

2005) was rumoured to have been fixed for a trans-Atlantic run delivery west Africa redelivery east coast south America at \$18,500. The *Pan Quest* (63,245-dwt, 2020) was fixed for a prompt trip delivery Hamburg, to be redelivered to the US Gulf intention steels at \$13,500. In the Indian Ocean, rates have been particularly firm from the AG with upper 20's available for a trip to China. From South Africa, the *Apex* (63,403-dwt, 2017) has been fixed with delivery Moma for a trip redelivery China at \$15,750 + \$575,000 bb, however rates have now jumped to 17,000 + 700k levels. In the Pacific, *The Magnum Fortune* (53,631-dwt, 2009) was fixed for a trip delivery Singapore via Indo to China at \$15,250. Also, *Yangtze Falcon* (56,451-Dwt, 2012) was rumoured to be fixed with a clinker run delivery Qinzhou at a impressive \$20,000.

In line with the rest of the market, an extraordinary week also for the handies. The **BHSI** closed today at \$16,223 up \$2,661 from last week, almost three times the value of last years recording. The *ES Vanquish* (35,510-dwt, 2015) open Brindisi was fixed for a trip via the Black Sea to Santos at \$17,000. A 33-000dwt vessel fixed Marmara Sea with grain to the east Mediterranean around \$19,000. Rumours of a large-sized handy open A-R-A-G fixed for a trip via the Baltic to US east coast at approximately \$26,000. Rates out of East coast South America soared this week at an incredible pace. We heard that Oldendorff took the *Fedra GR* (37,301-dwt, 2020) delivery Nueva Palmira for a trip to Egypt at \$24,500, as well as rumours of fixtures with even higher numbers. On long period, the *Neptulus* (33,706 dwt, 2012) fixed delivery Tema for 8/10 months redelivery worldwide at \$12,500 with Pacific Basin. In the Pacific, it was reported that Seaking fixed the *Densa Puma* (36,722-dwt, 2013) delivery Cam Ranh for a trip with aggregates to Chittagong at \$11,000, and the *Quest* (36,903-dwt, 2011) fixed delivery Shantou for a trip with grains via Adelaide to the Arabian Gulf at \$9,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Centennial Harmony	181,338	2011	CJK	PPT	China	\$4,500	Simec	Via West Australia
Kate	176,405	2011	Taicang	14/15 Feb	China	\$10,500	Swires	Via South Africa
Medi Newport	81,756	2017	Amsterdam	17/18 Feb	China	\$35,000	CNR	Via North France
Despina V	80,734	2018	Rotterdam	PPT	Skaw-Gibraltar	\$55,000	Nordic	2 Baltic Laden Legs
Princess Katherine	76,736	2004	Singapore	PPT	China	\$17,000	Caravel	Via EC South America
Apex	63,403	2017	Moma	18/25 Feb	China	\$15,750	CNR	Plus \$575,000 bb
Pan Quest	63,245	2020	Hamburg	PPT	US Gulf	\$13,500	CNR	Int Steels
Mandarin Grace	56,693	2011	Colombia	PPT	Vila Do Conde	\$22,000	Ultrabulk	Int Coal Plus \$150,000 bb
Corsair	35,062	2001	Lavrio	PPT	Italy	\$15,500	TKB	Int Grain Via Black Sea
Inase	28,429	2008	Singapore	PPT	China	\$10,150	CNR	Int Steels



Exchange Rates	This week	Last week
JPY/USD	105.45	105.11
USD/EUR	1.2126	1.2088

Brent Oil Price	This week	Last week
US\$/barrel	63.00	61.19

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	386.0	373.0
VLSFO	510.0	501.0
Rotterdam IFO	359.0	345.0
VLSFO	470.0	452.0

19 February 2021

Dry Bulk S&P

Chinese holidays have made little noticeable impact on market activity. In the absence of competition from the Middle Kingdom, Greek buyers have stepped forward in increasing numbers with increasing numbers. The sweet spot appears to be 10 year old tonnage in the kamsarmax/panamax and ultramax/supramax segments. As values rise fresh candidates are drawn into the market and buyers are having to be increasingly nimble to catch the freshest fish.

Two 2012 built kamsarmaxes are reported sold. *Magica G* (82,740-dwt, 2012) achieved \$16.25m, while the scrubber-fitted *Kinoura* (82,113-dwt, 2012) got a better \$18m. The premium for the latter ship may be a useful guide to the increasing value placed on scrubbers as the HFO and VLSFO prices continue to diverge. *Fortune Rainbow* (82,372-dwt, 2008) is reported sold at \$14m – the same price as her year younger sister *Fortune Miracle* - reported sold as recently as the start of the month.

Japanese built supras are much in demand. As many as eight parties are reported to have offered for *Global Fortune* (52,484-dwt, 2006). She sold at \$8m. Quite a number of Dolphin57s have been sold recently and we can report two this week with a third tied up on subjects. *Airondack* and *Beaufort* (abt 57,000-dwt, 2010) are sold at \$9.4m each

Finally in the handy sector, reflecting the surge in earnings, prices are beginning to react. *Angelic* (37,780-dwt, 2014) with a semi-eco m/e, has been sold for \$14.7m. A neat turnaround for the owners who paid \$12.8m for her as recently as October. *Indigo Silva* (38,090-dwt, 2013) has been sold to Orient, Rotterdam for \$14.2m – a big step up from last for a MC main engine unit. Less exciting is the as-per-last sale of *Ocean Bari-Star* (38,243-dwt, 2011) at a comparatively discounted \$11.15m. Finally *Continental Taiga* (28,338-dwt, 2009) is sold at \$6.5m, despite reports of being in generally poor condition.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Magica G	82,740	2012	STX	Gearless	undisclosed	\$16.25m	
Kinoura	82,113	2012	Tsuneishi Shipbuilding	Gearless	undisclosed	\$18.00m	scrubber & BWTS fitted
Fortune Rainbow	82,372	2008	Oshima	Gearless	Greek	\$14.00m	DD due 02/21
Captain Tassos D	75,200	2011	Penglia Zhongbai	Gearless	Greek	\$11.00m	SS/DD due 06/21
Fortune Daisy	74,979	2011	Sasebo	Gearless	undisclosed	\$14.25m	SS/DD due 04/21
Adirondack	57,017	2010	Qingshan	C 4x35T	undisclosed	\$18.80m enbloc	surveys passed & BWTS fitted
Beaufort	57,022						
Cerulean Phoenix	55,691	2009	Mitsui	C 4x30T	undisclosed	\$10.25m	
Global Future	52,484	2006	Tsuneishi Fukuyama	C 4x30T	undisclosed	\$8.00m	SS/DD due 09/21
Ocean Bari-Star	38,243	2011	Imabari	4x31T	undisclosed	\$11.15m	
Indigo Silva	38,090	2013	Imabari	C 4x31T	Orient	\$14.20m	SS/DD passed & BWTS fitted
Angelic	37,780	2014	Kanda	C 4x31T	Greek	\$14.70m	
Aristos II	32,377	2011	Samho	C 4x30T	Loadline	\$8.60m	BWTS included not installed
Atlantic Emblem	29,637	2011	Shikoku	C 4x31T	Greek	\$10.00m	three year BBHP deal
Sun Prime	29,478	1998	Shin Kurushima	C 4x31T	Middle Eastern	\$3.50m	SS/DD due 09/21
Continental Taiga	28,338	2009	Imabari	4x31T	undisclosed	\$6.50m	

Tanker Commentary

This week there has been limited activity and no real shift in values. On a positive note, oil inventories in the US have shed over 7 million barrels this week. Once this drawdown is complete and market forces take effect, we expect to see a rise in tanker rates and demand later in the year as crude and product shipments increase in conjunction with a recovering global economy as vaccination programmes are rolled out successfully.

Alas, the above effects are yet to kick in and we have little positive sentiment to report this week. The *Lady Ava* (160k dwt, 2001) has been reported sold for \$13.1m, a price falling in line with the *Icaria* (165,293-dwt, 2003) reported sold to last week for \$17m to Middle Eastern buyers.

The MR sector has kept ticking over with a number of sales this week. The Japanese controlled *Bright Fortune* (48k dwt, 2010 Iwagi), received a number of offers but was eventually sold to Velos for high \$13m region. This is a significant discount when compared with the last pumproom sold, the *Carina* (47,962 dwt, 2010) went for \$15m last week.

The high specification, Zinc coated *FPMC 24* (49k dwt, 2010) is rumoured sold for \$12m to Greek buyers. Due to the rarity of the coatings and spec of the vessel, she will be setting the benchmark for this type of unit.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Lady Ava	160,383	2001	Daewoo	Greek	\$13.10m	SS/DD due 03/21
Amazon Explorer	72,910	2002	Hyundai HI	Seven Islands	\$9.20m	SS/DD passed
FPMC 24	49,499	2010	STX Offshore	Greek	\$12.00m	BWTS fitted & Zinc coated
Bright Fortune	48,008	2010	Iwagi Zosen	Velos	\$13.75m	BWTS fitted

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Rigel	72,456	1998	Sasebo HI	BULK	10,156	559.50	Bangladesh
Orhan Y	72,562	1984	Mitsui	BULK	5,711	392.00	Pakistan
Marquessa	104,592	2006	SWS	TANK	18,089	331.00	-
Irini I	38,973	1982	Mitsubishi HI	TANK	8,965	445.00	Pakistan
Sala I	27,892	1995	Astilleros Espanoles	TANK	8,058	415.00	Pakistan

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