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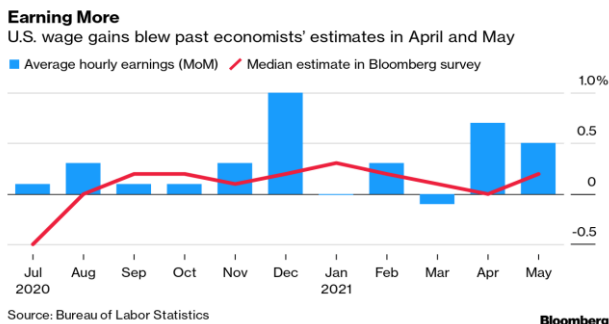
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POINTS OF VIEW

On Wednesday, we heard that China's producer price index, that tracks factory gate prices, rose by 9% year-on-year in May having gained 6.8% in April. So far, these price rises have been absorbed on the sales side, thus squeezing profits. The latest reading from the National Bureau of Statistics is the fastest rate of price growth since September 2008, when the global financial crisis hit us nearly 13 years ago. Rising commodity prices seem to be the main culprit but we should also be aware of base effects as the Chinese PPI was in negative territory for much of last year. Given China's importance in global manufacturing and supply chains, higher prices in China risk feeding through to higher prices abroad, pushing up inflation at a time when investors and markets are already questioning the US Federal Reserve's assertion that price rises will be temporary. However, it is entirely plausible that, as we get into the second half of 2021, we will see lower year-on-year comparisons given that the global economy started its recovery trajectory from mid-2020. So, hopefully, the Fed will be proven right in its assessment and there will be no need to raise interest rates which would cause more than just a minor tantrum in world markets.* Higher interest rates mean higher debt servicing costs, lower spending and investment, and lower growth.

Chinese policymakers are apparently alarmed by these price rises. NBS data shows steel-making costs rose 38% year-on-year in May while coal-mining costs rose 30%. China has been in a turbocharged, and steel-intensive, recovery phase since Q2 of last year, aided and abetted by Chinese government support and, more recently, the global economy has received a boost from US stimulus and similar measures enacted by other vaccine-rich nations. The NDRC last month threatened commodity speculators and this caused a dramatic fall in prices across the whole commodity spectrum. However, most have since bounced back and remain at elevated levels as demand is strong and supply is often constrained. Fortunately, Chinese consumer price inflation is much more subdued, rising 1.3% year-on-year in May, its highest rate since September, but only 0.2% month-on-month. A key component of CPI, pork prices, fell 24% year-on-year last month as China's pig herd is rebuilding after an estimated cull of 50% of the herd in 2018 in response to African swine fever. Pig numbers are recovering even though ASF is rumoured to have made a discreet comeback in Q1 affecting some 20-30% of the northern breeding herd. China's hog population declined from c. 380 million head in October 2016, to c. 180m in October 2019, before rebounding to c. 280m by the end of last year. It may have fallen back by some 30m in Q1 of this year.**

... US wages are rising ...



Source : Bloomberg

Infrastructure spending in China and the rest of the world has underpinned shipments of iron ore and coking coal while, ironically, demand for 'wicked' thermal coal has risen as electricity generation has surged with reviving economic activity. China's ban on Australian coal has added ton-miles as new trading patterns have emerged while its resurgent need for soybean meal, for pig and chicken feed, has supported a vibrant global trade in soybeans and also in wheat and corn. No-one can tell us how long the current container and bulker booms will last, whether it is months or years, or when restored oil consumption will rescue tankers from the doldrums. But it does look as if we are in for, at the very least, a phase of above recent average earnings, and maybe well above the level of average earnings since the GFC struck in late 2008. Kamsarmax now top the earnings in the bulk carrier sector with the BPI at \$29,718 daily while the BCI and its BFAs turned back up on Wednesday.[^] The container shipping industry is beset with problems: a lack of empty boxes in Asia; Covid-19 outbreaks just to the north of Hong Kong in Yantian, Shekou and Nansha; congestion at the LA/LB hub on the USWC, industrial action in Hamburg and the lingering after-effects of the Ever Given in the Suez Canal. The upshot is sky-high freight rates of \$6,000 per FEU for Asia/USWC, \$9,000 for Asia/USEC and \$11,000 for Asia/North Europe. This brings us full circle to inflationary concerns as higher producer prices in China, exacerbated by strong freight components in export sales, may be passed on to consumers. But these issues are beyond the control of shipowners. They should keep calm and carry on, enjoying that rarest of occasions: a good market.

*US consumer prices rose 4.7% year-on-year in May, after 4.2% in April, the highest rate since August 2008 when they rose 5.4%.

Core CPI, stripping out volatile items such as food and energy, rose 3.8% YoY in May, after 3% in April, its highest rate since 1992.

**According to the UK's Agriculture & Horticulture Development Board (AHDB) and the Chinese Ministry of Agriculture & Rural Areas.

[^]The BCI hit bottom on Tuesday at \$19,845 daily before surging 40% to reach \$27,752 per day today, displaying its mastery of volatility.

The BSI is at \$28,514 and the BHSI at \$24,495 so the capes still have some ground to make up before topping the leaderboard again.

Dry Cargo Chartering

The **BDI** closed this week at 2,857, up 419 points from last week.

A huge resurgence was seen in the **cape** markets this week, with time-charter averages rising by \$6,819 from last week to close play at \$27,752. One such fixture was the scrubber-fitted *Lady Wynn* (182,514-dwt, 2020) that was fixed delivery Tianjin for a prompt round trip via NoPac redelivery Korea at \$29,500 by Panocean. This week's coal fixtures include a Five Ocean TBN vessel being chartered for a 140,000 mtons 10% Kepco tender from Gladstone to Kwangyang at \$12.00 pmt for late June dates, and a Polaris TBN being fixed for 150,000 mtons 10% from Richards Bay Coal Terminal to Taaen at \$15.45 pmt again for a Kepco tender. Iron ore fixtures include Rio Tinto chartering the 2006-built *The Mothership* for 170,000 mtons 10% from Dampier to Qingdao at \$9.15 pmt for 22/24 June, Vale fixing the *Golden Zhejiang* for 180,000 mtons 10% from Tubarao to Rotterdam at \$7.80 pmt for 15/24 June, and the same charterers took the 2008-built *Alpha Prudence* for 170,000 mtons 10% from Tubarao to Qingdao for 20/30 June at \$20.10 pmt. Rates for both the Western Australia to Qingdao and Tubarao to Rotterdam ore routes were over \$11.00 pmt as the week came to a close, and rates for Tubarao to Qingdao were in excess of \$25.00 pmt.

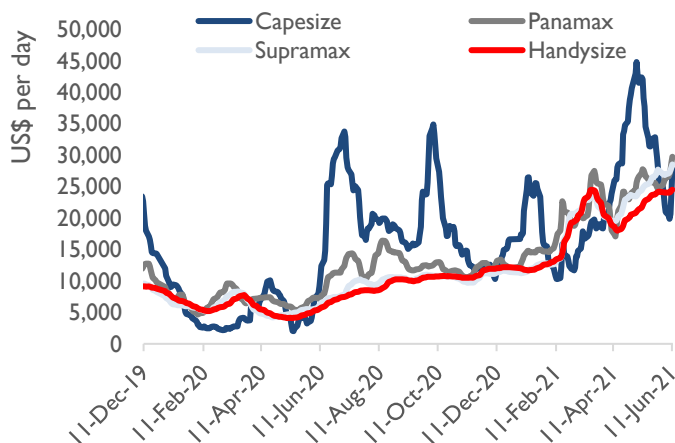
The **panamax** market aggressively firmed this week as it closed today at \$28,382 up by \$3,318 (13.2%) since last reported on 4th June. In the Pacific, Panocean fixed *Alkyon* (87,477-dwt, 2011) delivery Nagasaki 12/15 June for a trip via EC Australia to Taiwan at \$30,000, whilst NYK covered the *BBG Guigang* (81,566-dwt, 2020) basis delivery Tianjin 10/12 June for a trip via North China to Japan at \$27,500. In the Indian Ocean, Caridnal fixed the *YMK Quartet* (82,212-dwt, 2021) basis delivery retro Dahej 7th June for a trip via EC South America to Singapore-Japan range at \$33,000 and Louis Dreyfus fixed the *Alpha Loyalty* (75,949-dwt, 2007) delivery Haldia 6/8 June for a trip via EC South America to Singapore-Japan range at \$28,000. Meanwhile in the Atlantic, Nodric took the *Evangelistria* (82,514-dwt, 2007) delivery Hamburg 14/18 June for a trip via Murmansk to the Continent at \$27,500 whilst Bunge fixed the *Alpha Hero* (82,052-dwt, 2018) delivery Safi spot for a trip via NC South America to Skaw-Gibraltar range at \$27,000. Additionally, Noden fixed the *Amazon* (81,018-dwt, 2019) delivery Kakogawa 17th June for 12/14 months with redelivery Worldwide at \$26,750.

It has been a very promising week for the **supra** market. Rates are have surged significantly from last week's drop. The BSI closed at \$28,514, up from last week's \$26,941. In the Atlantic, the *Newseas Jade* (52,409-dwt, 2005) was fixed for a trip with steels delivery Taranto redelivery Singapore-Japan range via the East Mediterranean area at \$27,000. Additionally, the *Pacific Activity* (63,601-dwt, 2017) has been fixed for a coal run with delivery St Lawrence to the Continent/Baltic region at \$30,000. In the Indian Ocean, *Tomini Integrity* (60,220-dwt, 2016) has been fixed delivery Hazira to South Korea at \$44,000. Also, the *Vanna* (63,328-dwt, 2015) has been fixed for a prompt trip delivery Mumbai to Antwerp at \$33,000. In the Pacific, the *Navios Venus* (61,330-dwt, 2015) was fixed for a trip to deliver Map Ta Phut to East coast India at \$30,250, while the *Chang Min* (52,514-dwt, 2002) was fixed for a nickel ore run delivery Philippines to China at \$29,000.

A positive week for the **handies**, the BHSI closed this week at \$24,445 up \$380 from last Friday. The Continent was firm, Owners fixing scrap for better than last done, hearing a 38,000-dwt vessel fixed close to \$22,000 for a run to Turkey. Eastern Mediterranean was still firm and attracting tonnage from the Western Mediterranean. Intra-Mediterranean fixtures now surpassing \$20,000 on small handies but little reported action. East Coast South America continued to move upwards, *Saronic Spire* (32,355-dwt, 2004) open Maceio fixed basis delivery Paranagua for a trip to Continent at \$26,000. A 35,000-dwt was heard to have fixed basis delivery Recalada for a trip to North Brazil with grains at \$24,000. The US Gulf perhaps still a weak point in the Atlantic was still up with prompt tonnage lightening. On period, the *Giorgos B* (35,315-dwt, 2010) fixed South-West Pass for 3/5 months redelivery Atlantic excluding West and South Africa at \$20,850 with Western Bulk Carriers, and the *Lady Damla* (28,749-dwt, 2008) open Key West was fixed for 2 to 3 ladens legs with redelivery worldwide at \$19,000. The *St Paul* (37,054-dwt, 2014) fixed delivery US East coast for a prompt trip redelivery Continent intention woodpellets at \$16,500. Further East, the *Resolute Bay* (37,250-dwt, 2012) delivery Sri Lanka for a prompt trip via East coast India redelivery China intention iron ore at \$37,250. A 32,000-dwt fixed basis delivery Lanqiao for a trip via CIS with redelivery China at \$16,500 to Tongji. Also for CIS, a 28,000-dwt rumoured to have fixed delivery passing Pohang trip via CIS with redelivery in South Korea at \$19,000. A 32,000-dwt fixed basis delivery Japan with redelivery Thailand with an intended cargo of steels at \$25,500, and a 38,000-dwt open CJK was fixed for a trip to Continent at \$28,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Lynn Wynn	182,514	2020	Tianjin	PPT	South Korea	\$29,500	Panocean	Via Pacific
Bottiglieri Giulio Borriello	93,258	2011	Phu My	10 June	South China	\$26,500	CNR	Via Indonesia
Evangelistria	82,514	2007	Hamburg	14-18 June	Continent	\$27,500	Nordic	Via Murmansk
Trans Africa	81,270	2017	Retro Ijmuniden	28 May	China	\$35,500	Amaggi	Via NC South America
Sea Taurus	76,616	2004	Singapore	PPT	Singapore-Japan	\$28,000	Cardinal	Via EC South America
Pacific Activity	63,601	2017	St Lawrence River	PPT	Continent/Baltic	\$30,000	CNR	Int Coal
Chang Min	52,514	2002	Philippines	PPT	China	\$29,000	CNR	Int Nickel Ore
Newseas Jade	52,409	2005	Taranto	11/12 June	Singapore-Japan	\$27,000	CNR	Via East Mediterranean Int Steel
Resolute Bay	37,250	2012	Sri Lanka	PPT	China	\$37,250	CNR	Via EC India Int Iron Ore
St Paul	37,054	2014	USEC	PPT	Continent	\$16,500	CNR	Int Woodpellets



Exchange Rates	This week	Last Week
JPY/USD	109.50	109.52
USD/EUR	0.8228	0.8220

Brent Oil Price	This week	Last Week
US\$/barrel	72.75	71.83

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	402.0	408.0
VLSFO	520.0	526.0
Rotterdam IFO	392.0	390.0
VLSFO	507.0	505.0

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Dry Bulk S&P

The surge in FFA's at the end of the week has had the effect of pouring a bucket of bait into a feeding frenzy. Sellers are constantly re-assessing where value is and are increasingly difficult pin down. With the spot market returning even the most humble of handysizes half a million dollars in a month, any reported sale has to reflect when delivery has been agreed. A prompt delivery is now within August rather than July, and a delivery within June is going to be worth an extra million for any bulker.

The sale of the week is that of *Donau K* (58,018-dwt, 2012 Kawasaki) which had about ten buyers interested and has been reported sold at \$19.6m. This represents a two million dollar climb in value over the last month.

A firm price has also been paid for the Crown58 design *Star Eracle* (58,018-dwt, 2012 Dayang) at \$ 15.95m. Ultramax prices continue to climb. *Kmarin Busan* (63,155-dwt, 2014 Hantong) is reported sold for \$21m.

Handies have had another strong week. *Grace Ocean* (33,296-dwt, 2013 Shin Kurushima) is reported sold to Greek buyers for \$15.3m – again a million dollar plus climb in a month. Likewise, the BDelta design *Giulia I* (39,202-dwt, 2014 Yangfan) is sold at a strong \$16.75m. A Chinese built handy *Spring Scenery* (33,847-dwt, 2013 NYZJ) is reported sold for \$14.6m, although other claim she is still negotiating at higher levels, perhaps as high as \$14.9m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Kumano Maru	106,507	2008	Oshima	Gearless	undisclosed	\$18.50m	
Xin Feng	79,700	2010	New Century	Gearless	Costamare	\$16.50m	BWTS fitted
Kmarin Busan	63,155	2014	Hantong	C 4x30T	Undisclosed	\$21.00m	
Donau K	58,682	2012	Kawasaki	C 4x31T	undisclosed	\$19.60m	
Star Eracle	58,018	2012	Yangzhou Dayang	C 4x35T	Chinese	\$15.95m	
Giulia I	39,202	2014	Yangfan	C 4x30T	7 Seas London	\$16.75m	BWTS fitted
Spring Scenery	33,847	2013	Jiangsu Yangzijiang	C 4x30T	undisclosed	\$14.60m	
Grace Ocean	33,296	2013	Shin Kurushima	C 4x30T	Brave Maritime	\$15.30m	SS/DD passed & BWTS fitted
Despina Island	28,534	2007	Shimanami	C 4x31T	undisclosed	\$8.25m	
Ryoga	24,959	2011	Murakami	C 4x30T	undisclosed	\$8.75m	

*Disclaimer: Last week's commentary mistakenly reported that the MV *Panagia Korona* (56,568 dwt, 2012, COSCO) was sold at \$15.25 million. The vessel was not sold.

Tanker Commentary

Tanker owners have been paying the price in the bad market conditions that we have become accustomed to recently. The optimism (and subsequent firming in asset values) we have witnessed over recent months appears to be evaporating with the realisation that the long awaited recovery in market conditions may not be as imminent as owners had hoped. Last week's sale of the LR2 *Champion Pleasure* (105,852-dwt, 2008 Namura) at \$18.25m was a case in point.

Norwegian owners KGJS have been offloading LR3's this year and the clear-out continues. *SKS Satilla* (158,853-dwt, 2006 Hyundai Samho, Epoxy) changing hands for \$24m to Vietnamese buyers F Gas. This is the third sister vessel sold this year to Vietnamese interests after *SKS Segura* and *SKS Spey* (158,787-dwt, 2007 Hyundai Samho, Epoxy).

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
SKS Satilla	158,843	2006	Hyundai Samho	F Gas	\$24.00m	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Shaybah	47,185	1998	Onomichi	TANK	9,289.00	Undisclosed	UAE
Orient Well	16,839	1998	Dok & Perkapalan Kodja Bahari	TANK	5,218.00	540	Bangladesh
Win Win	170,085	2001	Ishikawajima-Harima	BULK	20,980.00	580	Bangladesh
Amur	8,091	1991	Nuovi Cantieri Apuania	TANK	2,857.26	875	India

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: newbuild@hartlandshipping.com

**Hartland Shipping Services Pte. Ltd,
Singapore**

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

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