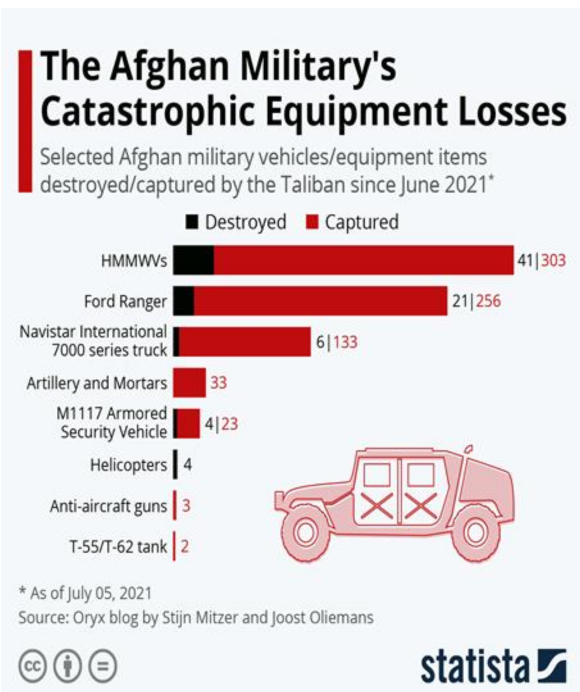
HARTLAND
SHIPPING SERVICES

9 July 2021

WEEKLY COMMENTARY

CONTENTS

… Leaving the toys behind – just like in Baghdad and Saigon …



Source : Statista

POINTS OF VIEW

It has been another volatile week for the largest bulk carriers, but that is nothing unusual. Despite appearances to the contrary, in the year to date, capes are still leading the bulk carrier sector averages at $24,292 per day, ahead of panamax on $23,037 daily, supramax on $21,606 per day and handysize on $20,001 daily.^ The high peaks and low troughs of the cape segment tend to disguise the fact that it still averages ahead of its smaller siblings, and has the capacity to surge well clear. Today's BCI-5TC reading is back up above 30K at $30,972 daily, a nice but not exceptional level. A combination of demand snapback, modest demand growth,* limited supply growth and decarbonisation pressures should favour ships over cargoes and owners over charterers for years to come. Large containerships, big tankers and LNG carriers are hogging prime shipyard capacity through to 2024. Meanwhile, large bulk carrier owners are more reticent about future propulsion systems and clean fuels and so have been reluctant to pull the trigger on sizeable newbuilding orders. The Shipping Intelligence Network has capesize spot earnings data going back to the beginning of 1990 entitled Weekly Long Run Historical Earnings. This provides us with historical context for capesize income.

To the end of last week, there are 1,644 weekly readings starting 5 January 1990. In 353 of these, or 21.5% of the time, the average exceeded $30,000 a day. In the first decade, from 5 January 1990 to 31 December 1999, there were no weeks out of 522 in which the average exceeded $30,000 per day. The first time this happened was on 11 April 2003 at $30,622 daily, the start of the best and longest boom ever known. In the second decade, from 7 January 2000 to 25 December 2009, the $30,000 daily average was exceeded in 300 out of 521 weeks, 57.6% of the time. Within those 300 weeks, the average exceeded $100,000 daily in 57 weeks and, within those 57 weeks, the average exceeded $200,000 a day in three weeks. In the third decade, from 1 January 2010 to 27 December 2020, $30,000 was exceeded in only 49 weeks out of 521, 9.4% of the time. In this decade, starting 3 January 2020, in 79 weeks the weekly average exceeded $30,000 on only four occasions. Cyclically, we are owed a good one. In the first decade, cape weekly average earnings came in at $15,276 daily, in the second $51,290 per day, in the third $13,557 daily, and in the current decade to date $13,796 per day.

On present performance, in this decade, we are running at just above the third, almost 10% below the first and 73% below the second decade. Essentially, we are under-performing right now. It is worth looking at the 'never-to-be-repeated' boom of 2003 to 2008. In the 287 weeks between 11 April 2003 and 3 October 2008, $30,000 was exceeded in 275 weeks, 95.8% of the time, an extraordinary stretch. As we all know, that was a China-inspired demand-led boom. What we face now is an ESG-inspired supply-led crunch. We are honestly unable to predict the intensity or duration of such supply-side constraints and restraints. For the capes, on an annualised basis, the current 2021 orderbook to fleet ratio is at 7.8%, the lowest since SIN records began in 1996, with the next lowest year being 2002 at 9.1% and the highest being 2009 at 113.8%. The big question we face is whether the looming supply deficit might have the equivalent impact on rates as the demand surplus did in those golden 5.5 years from 2003 to 2008.

In the 2003-08 boom, China's turbo-charged growth, after WTO entry at the end of 2001, caught the supply-side on the hop. In the early 2000s, there was limited ordering and elevated scrapping after confidence-sapping events such as the 2000 dotcom bust, US recession and 9/11 in 2001, and the ensuing invasion and occupation of Afghanistan that is only now ending after 20 years. There was a similar lack of conviction in 2003 as we can see today. What lies ahead and have events caught the supply-side on the hop again? Covid-19 has caused enormous human and economic damage that will take years to repair. It will need state support equivalent to 'throwing the kitchen sink at it' for years to come, globally, with budget repairs left for future years and to next administrations. Layer on top of that a decarbonisation imperative, that must cut very deep to have the desired effect, and we may soon have a 2021-26 shipping boom reminiscent of the elusive 2003-08 period. As they say, there is no Planet B, it is high time to get on with it.

The above proves that history repeats itself. On the right, we can see the potential for history to repeat itself, for capesize bulk carrriers.

^Based on the Baltic Exchange average earnings indices, which are published daily, in the year to today.

*'Normalised' levels of demand growth would average in the low to mid single digits percent whether for bulkers, tankers or containers

Dry Cargo Chartering

The **BDI** closed this week at 3,300, up 15 points from last week.

Capesize markets recovered a fraction this week, as time-charter averages ended up at $30,972 up by $1,866 from last reported. Swissmarine chartered *Maran Transporter* (179,719-dwt, 2010) a Maran relet for a trip delivery Hansaport via Murmansk and Hadera to Passero at $36,000, while *Aquavita* fixed *Lake Despina* (182,922-dwt, 2014) delivery Ijmuiden on 12th July for a trip via Baltic redelivery Dunkirk at $35,000. This week's coal fixtures included a Panocean TBN being nominated for a 150,000 mtons 10% Kepco tender from Dalrymple Bay coal terminal to Taean for late July dates at $12.18 pmt. In terms of iron ore voyages, Arcelormittal were very active this last week with several reported fixtures including the 2007-built *Imperial MWK* that was chartered for a smaller parcel of 90,000 mtons 10% from Itaguai to Dunkirk for 18th July at $21.25 pmt. The usual Western Australia to Qingdao route saw revived rates between $10.50 pmt and $11.50 pmt for the end of July, and the same can be said for freight rates out of South Africa into China. Additional, iron ore fixtures include Salzgitter taking the 2012-built CCL relet *Mineral Faith* for 130,000 mtons 10% from Narvik to Hansaport at $7.03 pmt.

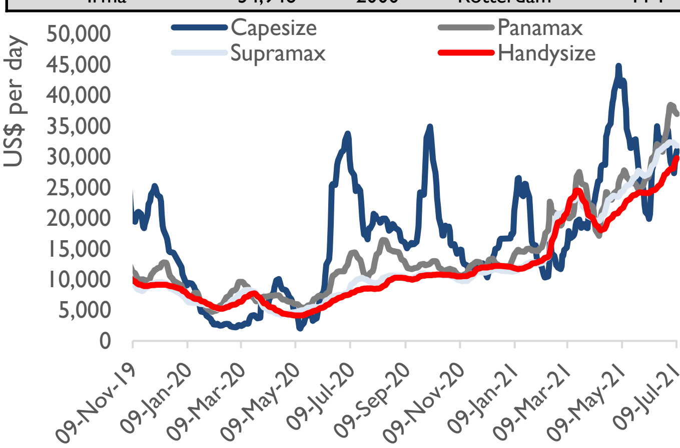
The **panamax** market corrected itself by softening slightly this week as it closed today at $35,576 down by $1,510 (-4.07%) since last reported on 2nd July. In the Pacific, the *Giacometti* (81,681-dwt, 2013) fixed delivery Caofeidian 6/9 July for a trip via EC Australia to Singapore-Japan range at $29,750 whilst Universal Solutions fixed the *Indus Prosperity* (92,928-dwt, 2011) delivery Rizhao 4/7 July for a trip via CIS Pacific to China at $32,000. In the Indian Ocean, the *Nord Pluto* (81,944-dwt, 2014) fixed delivery retro sailing Krishnapatnam 1st July for a trip via EC South America to Singapore-Japan range at $38,500. Meanwhile in the Atlantic, Bunge took the Sudety (82,138-dwt, 2013) delivery Hamburg 7th July for a trip via NC South America to Skaw-Barcelona range at $36,000 and Swissmarine fixed theMagic Horizon (76,980-dwt, 2010) delivery Ghent 9th July for a trip via Baltic to Skaw-Gibraltar range at $44,500. Additionally, a *Hanaro TBN* vessel fixed for the Kepco Tender for 80,000 mtons 10% coal from Newcastle to Goseong for 21/25 July at $24.93pmt whilst a TBN vessel was fixed for the SAIL tender for 75,000 mtons 10% coal from Dalrymple Bay to Visakhapatnam for 25 July/3 August at $29.50pmt.

The supra market has taken a slight drop this week. Rates are softening in all trade regions but still remain rather firm. with the **BSI** closing at $31,798 down from last week's $32,283. In the Atlantic, *Skatzoura* (56,795-dwt, 2011) fixed for a prompt trip with delivery Riga and redelivery in the East Mediterranean region at $35,000. While the *Nikitas* (57,023-dwt, 2010) was fixed to deliver Otranto and redeliver Durban via the Black Sea at $41,500. In the Indian Ocean, the *Yasa Sparrow* (55,431-dwt, 2013) was fixed for a prompt trip carrying ore to deliver Haldia and redeliver China at $40,000. Another was the *Josco Changzhou* (58,764-dwt, 2011) which was fixed for a prompt trip with delivery Richards bay and redelivery Pakistan via South Africa at $33,000 with $550,000 ballast bonus. In the Pacific, the *Sheng Wang Hai* (57,208-dwt, 2009) was fixed for a trip with delivery CJK to redelivery China via Indonesia at $26,000. Also, the *Arizona* (56,969-dwt, 2010) was fixed for a coal run to deliver Cebu and redeliver in the South China region via South East Asia at $32,600.

Another positive week for the handies, the **BHSI** continued to push up closing today at $29,720 up $1,739 from last week. Despite little reported activity relative to recent weeks, the sentiment in the Atlantic remains firm. On the Continent, a 38,000-dwt vessel fixed a steels trip to the United States East coast at $34,000 per day. Earlier in the week, rumours a 28,000-dwt vessel fixed delivery Mediterranean for a trip to Spain-Med at $27,000. Down the West coast of Africa, *Ocean Rainbow* (38,494-dwt, 2011) open Owendo fixed basis delivery via Rio Grande, redelivery Italy with pulp at $30,000 to G20. A 34,000-dwt fixed basis delivery Recalada and redelivery Brazil at $45,000. A 37,000-dwt open San Juan fixing dropping outward pilot via North Brazil to Norway at $35,000. In the US Gulf, a 28,000-dwt open East coast Mexico fixed basis dropping outward pilot via Itaqui redelivery China at $27,000 to Cargill. In the East, sentiment remained positive, especially in South East Asia, a build-up of cargo in Australia was continuing to keep the area firm. A 32,0000-dwt open in Mongla fixed basis delivery dropping outward pilot via East Coast India with redelivery Mediterranean at $35,000. A 28,000-dwt open Japan was rumoured to have been placed on subjects for a trip to Indonesia at low $22,000's but no further details came to light. A 37,000-dwt open West Coast Mexico fixed a trip via North Pacific redelivery intension Brazil at $28,000 while a 35,000-dwt Logger open North China fixed for two Laden Legs redelivery Spore-Japan range at $33.000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Maran Transporter	179,719	2010	Hansaport	18/20 Jul	Passero	$36,000	Swissmarine	Via Murmansk and Hadera
Flag Tom	93,268	2011	Seki Saki	2/7 Jul	Singapore-Japan	$36,000	Five Ocean	Via EC Australia
AM Contrecoeur	82,177	2011	Lazaro Cardenas	10/11 Jul	Singapore-Japan	$45,000	Cofco Agri	Via US Gulf
Priscilla Venture	77,283	2008	Kushiro	8/10 Jul	Singapore-Japan	$32,000	Bunge	Via NoPac
Magic Horizon	76,980	2010	Ghent	9 Jul	Skaw-Gibraltar	$44,500	Swissmarine	Via Baltic
Akra	61,302	2016	Inchon	4/6 Jul	US Gulf	$30,000	Panocean	
Athos	57,420	2016	Gresik	8/12 Jul	South China-CJK	$34,000	CNR	Via Indonesia
Sheng Wang Hai	57,208	2009	CJK	10 Jul	China	$26,000	CNR	Via Indonesia
Ocean Rainbow	38,494	2011	Onne	PPT	Italy	$30,000	G20	Via Rio Grande
Irma	34,946	2000	Rotterdam	PPT	Continent	$25,000	Oldendorff	Int Steels



Exchange Rates	This week	Last Week
JPY/USD	110.07	111.48
USD/EUR	0.8450	0.8457

Brent Oil Price	This week	Last Week
US$/barrel	74.90	75.82

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	420.0	431.0
VLSFO	539.0	550.0
Rotterdam IFO	404.0	418.0
VLSFO	510.0	529.0

Dry Bulk S&P

Market values are measured in two dimensions – the dollar price and the delivery date – and the delivery date in this freight environment is becoming increasingly pertinent. In dollar terms some sales appear to be done at "last done" prices, until one notes that deliveries are being pushed into next year. A "prompt" delivery is now drifting into September. Increasingly supposedly committed sellers are dancing out of the buyers' grasp at the last stages of negotiations.

The Chinese caper *Springbank* (177,066-dwt, 2010 New Times) is reported sold at a very firm $26.0m to Greek buyers – one presumes with a prompt delivery.

In terms of dollars per dwt, the post-panamax sector continues to trade at a discount to the kamsarmaxes. *Double Providence* (95,720-dwt, 2012 Imabari) is reported sold for $20.75m to Sun Enterprises on the basis of surveys passed and delivery late Q4 2021. *Centurion* (76,838-dwt, 2005 Oshima) is sold for a seemingly modest $12.0m except that delivery is in Q1 2022.

Genco are back in the market and have bought a trio of ultramaxes from Navigare at last done prices. *Navigare Bellus, Navigare Beatus* (63,300-dwt, 2017 Chengxi) and *Navigare Bonitas* (63,166-dwt, Zhejiang 2014) are bought at $72.00m enbloc. Again the late delivery of the eco-engined *Kmarin Ulsan* (63,151-dwt, 2014 Jiangsu) explains the "last done" sale price of $22.0m.

A better illustration of where the market has moved to is the handysize *Dry Beam Neo* (38,180-dwt, 2019 Shin Kochl) is a million above benchmarks at $26.0m, basis delivery in August.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Springbank	177,066	2010	New Times	Gearless	Kassian	$26.50m	BWTS fitted
Double Providence	95,720	2012	Imabari	Gearless	Greek	$20.75m	Q4/Q1 2022 delivery
Centurion	76,838	2005	Oshima	Gearless	Chinese	$12.00m	Delivery Q1 2022
Navigare Bellus Navigare Beatus	63,310	2017	Chengxi	C 4x30T	Genco	$72.00m enbloc	
Navigare Bonitas	63,166	2014	Zhejiang	C 4x36T			
Kmarin Ulsan	63,151	2014	Jiangsu	C 4x30T	undisclosed	$22.00m	Delivery end of January 2022
Bulk Costa Rica	58,758	2012	NACKS	C 4x31T	Greeks	$18.60m	BWTS fitted
Serene Susannah	57,266	2010	STX Dalian	C 4x30T	Greeks	$14.80m	
Dry Beam Neo	38,180	2019	Shin Kochi	C 4x30T	European	$26.00m	BWTS & Logs fitted
Ming Yuan	33,002	2010	Taizhou	C 4x31T	undisclosed	$11.00m	

Tanker Commentary

With little to no life in the chartering markets, many tanker owners are happy to bide their time and wait for an upturn however a handful are making a move during this quiet period.

Negotiations have taken place on the Greek controlled *Olympic Legend* (309,270-dwt, 2003 Samsung) at levels close to $31.50m nett basis dry dock passed - this will likely be concluded in the coming week. In comparison, we reported last Friday that the *Maran Triton* (318,692-dwt, 2003 Hyundai) achieved $ 29.50m with dry dock due in August.

Whilst we rarely comment on demo sales, there is one transaction that stands out and that is of the Vietnamese controlled *Maya VN* (318,788-dwt, 2003 Hyundai – 44,131 LDT) being purchased by cash buyers GMS for $ 560 per ldt. It is unusual for a vessel this young to be heading for the beach however the price agreed is at market levels.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Olympic Legend	309,270	2003	Samsung	undisclosed	$31.50m	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Maya VN	318,788	2003	Hyundai	TANK	44,131.00	560	undisclosed
K Phoenix	148,681	1996	Samsung	BULK	17,723.00	552	South Korea
Karunia	69,235	1993	Imabari	BULK	9,462.00	585.50	Bangladesh

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