13 August 2021

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

CONTENTS

… Must try harder - will do better …

Source : Euronav

*A 20-year old 319,000-dwt VLCC, with 44,000-ldt, could fetch c. $27.5m for further trading against $24.5m for scrap.

25 COTs of 4.38m-dwt (avg. 175,200-dwt each) were scrapped in Jan-Jul '21 vs 2/0.26m-dwt in Jan-Jul '20.

^In its latest August OMR, the IEA adjusted down its 2H21 demand growth call by 0.5m-bpd due to the Delta variant.

*CREA claims China approved 18 new steelmaking blast furnaces and 43 new coal-fired power stations in 1H21…

…If built, total emissions would be c. 150mt of CO2 per year, equivalent to the total emissions of the Netherlands.

POINTS OF VIEW

Last week we reported on the multi-billion dollar earnings of APMM and Maersk Line, an unexpected windfall from supply chain disruptions linked to Covid-19, and to shortages of ships and containers, an infrequent occurrence in a market prone to chronic oversupply. A big step down, and with less frenetic activity, bulk carriers are also doing very nicely and this is being borne out by listed companies announcing their Q2 results. Eagle Bulk's Ultramax to Supramax fleet averaged a time charter equivalent (TCE) rate of $21,580 per day in Q2, its best level in eleven years, and is averaging $28,300 daily in Q3 to date, with 75% of available days booked. Star Bulk's Newcastlemax to Supramax fleet recorded an average TCE of $22,927 per day in Q2 and it has almost 66% of Q3 available days covered at an average of $28,345 daily. These are examples of the best earnings since the heady days of pre-Lehman 2008. We still do not expect a return to that prolonged 2004-08 boom, or to those rates, but we did expect to come second best. Unlike containers, which were on a vertical trajectory before the recent inevitable sharp correction, bulkers are climbing a wall of worry. The trend is still up, and it looks sustainable to end 2022, probably longer. Second-hand values are lagging behind earnings just as listed companies are trading deeply sub-NAV, hence the tendency to buy back one's own shares, effectively buying ships at well below market prices.

Unfortunately, it is not the same for tankers which continue to suffer from last year's 9% drop in global oil demand, and from persistent oversupply as old tankers refuse to die. Despite strong steel demand, and recycling prices of up to $620 per LDT in the ISC, superannuated tankers are fetching a premium over scrap,* from shady buyers in sunny places, to keep on trading. Some are acting as proxies for Iranian and Venezuelan crude exporters, in spite of US sanctions, while others are acting for various defiant Asian buyers. It is rumoured that the earnings of such subterfuge tankers are at many multiples of market rates (which is not very much at present). The ownership is complicated, the ships are self-insured, AIS is turned off, and lightering operations are de rigueur to disguise cargo origin. The Chinese have no problem in defying US sanctions while the US could face accusations of high seas piracy if it were to arrest such tankers. The main US threat is to target individuals and companies by restricting their ability to travel and access the US-dollar global payments system. Ideally, we would like these ships to go to the scrapyards but, for that to happen, sanctions against Iran and Venezuela would need to be lifted, and that seems unlikely. The best hope then is for demand recovery. OPEC+ is set to raise output by 0.4m-bpd each month to December, totalling 2.0m-bpd, then provisionally continue this throughout 2022 until pre-pandemic levels of supply and demand are achieved. So, it's mañana for tankers.

At the end of 2019, global oil demand was at around 100m-bpd, before falling 9% to an annual average of about 91m-bpd in a Covid-blighted 2020. OPEC's latest forecast is for a demand rebuild of 6m-bpd this year followed by 3.3m-bpd next year, effectively restoring lost demand by Q4 2022. For its part, the IEA sees global oil demand recovering from an average of 90.9m-bpd in 2020 to 96.2m-bpd in 2021 and to 99.4m-bpd in 2022, slightly more bearish than OPEC.^ Brent hit a 30 July peak of $76.40 a barrel before plunging to $67.60, and now back to $71.30. Lower oil prices are good as they stimulate demand and consumption. President Biden just told OPEC to open the taps to rein in gasoline prices, while the world's coal miners cannot dig thermal coal out of the ground fast enough to satisfy demand as natural gas prices soar.** Therein lies the problem, there is a political and social will to eradicate carbon emissions, and yet it can only be achieved in a multi-decade transition to renewables, or we will simply turn the lights out. This is a tough reality to grasp as fires rage from California to the Mediterranean, floods devastate parts of Germany, the UK and China and drought reduces crop yields in the grains and oilseeds growing regions of the Americas. This week, UK students got their A-level and GCSE results, and they were good. In contrast, tanker owner Euronav posted a $90m loss in 2Q21 after a $260m profit in 2Q20, its VLCCs averaging $11,250 per day spot in 2Q21 versus $81,500 in 2Q20. Its report card might read "must try harder" but with the added encouragement "will do better".

Dry Cargo Chartering

The **BDI** closed today at 3,566 points up 195 points from last week.

The **cape** market continued to be active, despite the BCI closing this week at $35,926 down $224 from last Friday. The usual Ore run from Tubarao to Qingdao was busy, the *Maran Guardian* (179,701-dwt, 2010) fixed at $31.00 for end September dates while Vale rumoured to have fixed 3 to 4 ships, at 170,000mt 10%, rates not confirmed. *Maran Odyssey* (171,681-dwt, 2006) fixed 170,000mt 10% iron ore from Brazil to Qingdao for mid-end September but no rate confirmed. Rio fixed the *Shandong De Yun* (180,620-dwt, 2020) 170,000mt 10% iron ore from Dampier to Qingdao at $14.55. JFE's tender from Port Hedland to Japan and Port Walcott to Japan were both booked in the rage of $13.50 to $13.60. A CCL vessel won the Kepco tender for 145,000mt 10% coal from Roberts Bank to Hadong + Hosan loading early September at $22.80. Superior Ocean took a vessel for its 150,000mt 10% from San Nicolas to China with freight rate linked to C3 index.

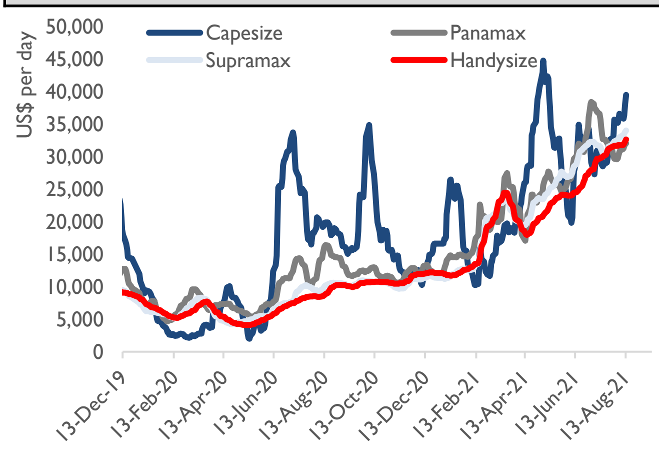
The **panamax** market continued to climb again this week as it closed today at $31,949 up by $2,244 (7.6%) since last reported on 6th August. In the Pacific, the *Liva Rose* (81,828-dwt, 2018) fixed delivery Zhoushan 15/16 August for a trip via EC Australia to Japan at $31,850 and Cosco fixed the *Orient Prima* (76,596-dwt, 2005) delivery Dongfang 15th August for a trip via Indonesia to China at $30,000. In the Indian, NS United fixed the *W Original* (81,874-dwt, 2012) delivery retro sailing Haldia 7th August for a trip via EC South America to Singapore-Japan range at $31,500 whilst Cargill took the *Scorpio* (74,930-dwt, 2012) delivery Dahej prompt for a trip via Black Sea to Singapore-Japan range at $33,500. Meanwhile in the Atlantic, Swissmarine fixed the *Nord Gemini* (81,870-dwt, 2017) delivery Rotterdam prompt for a trip via Baltic to ARAG at $30,000 as well as Bunge fixing the *Good Hope Max* (76,739-dwt, 2005) for delivery Huelva prompt for a trip via NC South America to Skaw-Barcelona range at $30,000. Alternatively, Refined Success took the *CSSC He Mei* (81,523-dwt, 2019) delivery Singapore-Japan range 1 December – 15 April for 24 months with redelivery worldwide at $18,250, Cobelfret fixed the *Manousos P* (82,549-dwt, 2008) delivery Fangcheng 10/14 August for 6/8 months with redelivery worldwide at $29,000 and British Steel fixed the *Canopus* (2021-built) for their 80,000 mtons 10% ore from Narvik to Ijmuiden for 10/15 August at $10.55pmt.

It was nothing but green for the **supra** market this week with a steady climb throughout the week. Rates steadily improving out from all trade regions while the Indian market continues to surprise with tremendous rates. BSI closed at $34,078, up $964 from last week. In the Atlantic, *Elpida GR* (52,579-dwt, 2003) was fixed for a prompt trip with delivery Liverpool and redelivery South Africa at $35,000. *Star Cepheus* (56,539-dwt, 2012) open Riga was fixed for a trip to South Africa for $39,000. In the Indian Ocean, *LMZ Pluto* (56,705-dwt, 2011) fixed with delivery Tuticorin and redelivery in the South East Asian Region via South Africa at $38,000. Also, *Kosman* (58,076-dwt, 2013) fixed for a trip carrying aggregates with delivery Dammam and redelivery Chittagong via Fujairah at $45,000. In the Pacific, *Peaceful Seas* (63,331-dwt, 2014) fixed for a trip with delivery Xiamen and redelivery China via Indonesia at $35,000. *Value Nancy* (53,553-dwt, 2001) fixed for a clinker run with delivery Tieshan and redelivery China at $32,000.

The **BHSI** closed this week at $32,691 up $898 from last Friday. The Asian handy market was encouraging, a number of vessels being tied up in congestion and quarantine regulations in China causing delays, helping to push up rates. The Atlantic was firm, strong in both the Black Sea and Continent markets, busy with plenty of fresh cargo. *Petra* (33,688-dwt, 2011) open in Belfast fixed a scrap trip via Baltic redelivery in the east Mediterranean at $27,000. The *Lilly Bolten* (30,765 dwt, 2009) fixed from Rouen for a prompt trip redelivery Algeria at $30,000. OSR fixed the *Rana* (38,566-dwt, 2015) delivery Canakkale for a prompt trip via the Black Sea, redelivery east coast Mexico at $39,000. Swire Navigation fixed their *Ninghai* (40,064-dwt, 2017) delivery Black Sea for a prompt trip redelivery Singapore-Japan with concentrates at $48,000. Lack of reported activity in both east coast South America and the US Gulf, *Mykonos Bay* (32,411-dwt, 2009) open Sao Francisco do Sol fixed for a trip via east coast South America with redelivery Amsterdam-Rotterdam-Antwerp Ghent range at $31,250 to Meadway. In Asia, *Berge Hallasan* (37,945-dwt, 2016) open in South Korea fixed for a trip via west coast Australia with spodumene with redelivery China at $40,000. *Lila Piraeus* (33,324-dwt, 2010) open Mumbai fixed for a tip via the Arabian Gulf to the US Gulf at $34,0000 and the *Sakura Kobe* (33,735-dwt, 2011) open in Bahrain fixed for a trip to east coast India with a fertiliser cargo at $43,000. *Pretty Universe* (35,279-dwt, 2013) open Weihai fixed redelivery Brazil in the high $20,000's. Whilst the *TS Flower* (38,852-dwt, 2017) open Onsan prompt was fixed for a trip via Japan with redelivery Thailand with steels at $40,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Capital John P	82,040	2020	Kohsichang	PPT	Singapore-Japan	$34,000	Cargill	Via EC South America
Nord Gemini	81,870	2017	Rotterdam	PPT	ARAG	$30,000	Swissmarine	Via Baltic
Golden Fast	80,572	2021	River Plate	PPT	South East Asia	$32,000	Meadway	Plus $1,500,000bb
Good Hope Max	76,739	2005	Huelva	PPT	Skaw-Barcelona	$30,000	Bunge	Via NC South America
Shandong Hai Wang	75,538	2014	Quangzhou	PPT	South China	$29,250	CNR	Via Indonesia
Atlas	63,496	2017	Busan	12/15 Aug	South East Asia	$32,500	CNR	Via NoPac Int Grains
Value Nancy	53,553	2001	Tieshan	16/17 Aug	China	$32,000	CNR	Int Clinker
Elpida GR	52,579	2003	Liverpool	PPT	South Africa	$35,000	ETG	
Maestro Sapphire	39,830	2020	London	PPT	EC South America	$33,000	Lauritzen	Via Continent
TS Flower	38,852	2017	Onsan	PPT	Thailand	$40,000	CNR	Via Japan



Exchange Rates		This week	Last Week
	JPY/USD	110.14	109.77
	USD/EUR	1.1771	1.1809

Brent Oil Price		This week	Last Week
	US$/barrel	71.16	71.64

Bunker Prices ($/tonne)		This week	Last Week
	Singapore IFO	415.0	415.0
	VLSFO	526.0	527.0
	Rotterdam IFO	390.0	385.0
	VLSFO	493.0	499.0

Dry Bulk S&P

The market continues onwards and upwards – any slight slackening in sales activity is probably more attributable to the summer seasonal lull then any signals from the market itself.

Recent months have all been about the geared market where the perennial Cinderellas of the fleet, the handies, are well and truly off to the ball.

That said we have three capsize sales to report. Two Chinese built and controlled sisters *Stella Lucy* and *Stella Laura* (179,667-dwt, 2015 Qingdao Beihai) have been sold for $75m enbloc to Dryship. Theses sales echo the rise in values recorded last week by the sale of Hark Oldendorff. These are the first modern, Chinese caper sales since a nudge up on last done. Likewise the sale of *Aqua Splendor* (175,589-dwt, 2012 Jinhai) likewise records a step up on recent benchmarks at $27.5m.

In the ultra sector, three sisters *Asia Ruby II, III* and *IV* (62,982-dwt, 2014 Jinling) are sold enbloc at $67.0m enbloc, a notch up on last done, while a more substantial climb in values has been recorded by the sale of the Japanese built *Santa Barbara* (61,381-dwt, 2013 Iwagi). Reportedly Vietnamese buyers have bought her for an impressive $24.5m – a hefty step up on last done.

Finally even the Ugly Sisters get a night out as the Vietnamese built *Four Emerald* and *Four Diamond* (abt 34,000-dwt, 2011/13 Pha Rung) are sold for $15.25m and $12.75m respectively.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Stella Lucy Stella Laura	179,667	2015	Qingdao Beihai	Gearless	Dryships	$75.00m	Eco ME, BWTS fitted
Aqua Splendor	175,589	2012	Jinhai HI	Gearless		$27.50m	
Asia Ruby IV Asia Ruby III Asia Ruby II	62,982	2014	Jinling	C 4x36T	Undisclosed	$67.00m	BWTS fitted
Santa Barbara	61,381	2013	Iwagi Zosen	C 4x31T	Vietnamese	$24.5 mill	October delivery
Four Emerald	33,992	2013	Pha Rang	C 4x30 T	Deval	$15.25m	
Four Diamond	34,059	2011			Greeks	$12.75m	
Orient Glory	32,419	2013	Samho	C 4x30T	Loadline	$15.50m	
Albatross	25,028	2011	Yamanishi	C 4x30	Turkish	$12,00m	

Tanker Commentary

As the combined effect of a weak market and summer holidays continue to supress excitement, it will be no surprise that there is limited activity this week. Great Eastern controlled *Jag Lata* (105,716 dwt, 2003 Hyundai Samho) is reported to have sold for $13m. A modest premium when compared to the enbloc sale of the *Astro Sculptor* (105,109 dwt, 2003 Daewoo) and the *Astro Saturn* (105,166 dwt, 2003 Daewoo) which sold at the end of July for $12.5m each.

US owners International Seaways are reported to have sold *Seaways Hellas, Seaways Jademar, Seaways Goldmar* and *Seaways Rubymar* (69,636 dwt, 2003 Daewoo) enbloc to Middle Eastern buyers. At the time of writing the price is unknown to us. The last done was *Maya* (68,467 dwt, 2003 Koyo) which was reported sold at the beginning of June for $9.50m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Jag Lata	105,716	2003	Hyundai Samho	Chinese	$13.00m	
Seaways Hellas Seaways Jademar Seaways Goldmar Seaways Rubymar	69,636	2003	Daewoo	Middle Eastern	undisclosed	
Tiger Singapore	13,083	2009	21st Century	Chinese	$6.00m	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Splendour	45,217	1996	Minaminippon	Tank	10,045	624	Pakistan

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