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... Who Needs Debt Anyway? ...



Source : maersk.com

(It is estimated that Maersk may be net debt-free by end Q3)

*Today's FBX suffered a sharp correction with it losing 770 points, or 7.3%, to 9,770. The USWC route dropped \$3,410 to \$15,827 while the USEC fell \$841 to \$19,963. This is the FBX's largest correction since inception in October 2016.

^It is only 'cheap' when compared to high oil and gas prices. Its environmental impact has more far-reaching costs.

POINTS OF VIEW

The container party is in full swing, bulkers are limbering up and tankers are in self isolation. We have quite differentiated main sectors at present and are left to guess how high and low they can go and, just as importantly, when. Containers could start to abate as soon as Q4, but some punters think that they are set fair into 2023. Tankers are having a nightmare and are looking forward to the IEA's prospect of global oil demand returning to end 2019 pre-pandemic levels by end 2022. Forecasts of when tankers will enjoy better times range from as early as 4Q21 all the way out to 4Q22. What tankers need are a few positive black swan events and, on the plus side, black swans are nothing like as rare as they used to be. Bulkers have recaptured some cargo that had migrated to containers, and all bulk carrier segments enjoy the prospect of limited net supply growth over the next 2-3 years, reinforced by container orders that have taken up so much quality shipyard space. In the seven months to the end of July, 355 containerships totalling 3.26m-teu were ordered, at an average of 9,175-teu per ship. This is equivalent to 13.5% of the current fleet, of 24.24m-teu by capacity, being ordered in 2021 to date. The total orderbook of 5.17m-teu represents 21.3% of the current fleet, this having risen from only 10.7% at the start of this year. It makes one wonder, it takes an age to build a good market, but not so long to potentially destroy one.

That is not to say that this market does not have legs. The FBX container index rose to 10,540 points yesterday, 2.8-times its start year value of 3,740 points. Freight on the all-important China/East Asia to USEC route punched decisively above \$20,000 on Monday to \$20,804 per FEU, where it remained until yesterday, while the China/East Asia to USWC benchmark was not far behind on \$19,237.* These are astonishing freight levels that are causing pain for exporters and importers alike as space is limited and the costs are sky-high. At the corporate level, AP Moller-Maersk, the owner of Maersk Line, has raised its full year EBITDA from \$15.0bn to \$18.0-19.5bn. It made a net profit of \$3.7bn in Q2 and \$6.5bn in the first half and is predicting free cash flow of a minimum of \$11.5bn this calendar year. Analysts have deduced from company guidance that Q3 will beat Q2 while the implication is that Q4 may retrace to some extent. Port congestion, equipment dislocation, Covid-19 and other logistical disruptions have played a big part in raising freight rates. But it is systemic inefficiencies rather than trade growth that are boosting earnings and Maersk may be anticipating that these factors will ease in the last quarter. Another feature of any slowdown could be consumers switching their spending to services from goods after a strong run.

The longer containers do so well, and keep freight rates high, the longer the dry bulk sector will benefit from cargo switching from boxes to bulkers. They continue to prosper, even at well below the dizzy time charter equivalent rates of their container cousins. Today, the BCI settled at \$36,150 per day, the BSI at \$33,114 daily, the BHSI at \$31,793 per day and the BPI at \$31,041 daily. As with containers, bulkers are also getting a big lift from systemic inefficiencies, especially port congestion in China. They should continue to derive medium term support from vibrant iron ore, coal, grain and oilseed trades, although China has been doing its best to cool commodity prices that are costing the nation dear. It is intending to cut back steel output in the second half as it gets serious about tackling pollution, and it is talking down its soybean demand as pork prices fall, standing back from buying new US crop. It has had the desired effect. In the past week alone, 62% Fe iron ore prices have fallen 19% from \$212 to \$172 a tonne. Soybean prices have fallen to \$14.00 a bushel, 16% below their 8-year high of \$16.60 in mid May, while corn is down to \$5.50 a bushel, 29% below its 12-month high of \$7.75 in May. China has had less success in talking down coal prices with thermal coal surging to a 13-year high of over \$160 a tonne. Climate change has reduced China's hydropower output and raised its air conditioning needs just as domestic coal production growth falters. It, and the whole world, is turning back to cheap^ coal despite a pressing need to ignore it. China may reduce its steel output, while the rest of the world is ramping it up, and commodity demand will most likely remain strong, while the weather will continue to mess with supply.

Dry Cargo Chartering

The **BDI** at 3,371 up 79 points from last week.

The **cape** index up \$417 from last Friday, closing today \$36,150. The usual 170,000mt 10% iron ore stem from Port Hedland to Qingdao fixed the 2014 built *Schinoua* to BHP at \$15.00. *Capt Vangelis* 169,044-dwt, 2009 also fixed to BHP for their 170,000mt 10% iron ore stem from Port Hedland to Qingdao at \$14.80. Rio Tinto took a 170,000mt 10% iron ore stem from Dampier to Qingdao at \$14.60. It was further reported, Rio Tinto fixed Ssangyong tonnage at \$14.40 for their 170,000mt 10% iron ore stem from Dampier to Qingdao on 20-22 August loading. They were heard again at \$14.35 for 18-20 August dates on a similar cargo. *Mount Faber* (176,943-dwt, 2008) and the *Southern Harmony* (182,249-dwt, 2012) both heard to have fixed at \$32.50 for 170,000mt 10% iron ore stems from Sudeste to Qingdao. *Larger Stamatis* (203,266 2004) was reported fixing with Vale for a 190,000mt 10% iron ore stem from Tubarao to Qingdao on 25 \$27.75.

The **panamax** market climbed week as it closed today at \$29,705 up by \$1,310 (4.6%) since last reported on 30th July. In the Pacific, the *DL Carnation* (81,805-dwt, 2014) fixed delivery Younghung basis prompt dates for a trip via CIS back to China at \$28,000, *Sinmal* fixed the *Key Journey* (80,591-dwt, 2012) delivery Cigading 8/10 August for a trip via Indo to Malaysia at \$30,000 and *Woohyun* fixed the *Great Wencheng* (91,439-dwt, 2005) delivery Zhoushan 7/12 August for a trip via Brisbane with coal to Kwangyang at \$29,000. Meanwhile in the Atlantic, the *Ikan Bawal* (83,339-dwt, 2012) fixed delivery Rotterdam 12/16 August for a trip via Baltic to India at \$55,000, *Cargill* fixed the *Xin Yu* (74,090-dwt, 2001) delivery East Coast South America 20th August for a trip to Singapore-Japan range at \$25,000 plus \$1,400,000 bb and *Oldendorff* covered the *Izumi* (82,005-dwt, 2021) delivery Brake for prompt dates for a trip via Baltic to Skaw-Morocco range at \$31,000.

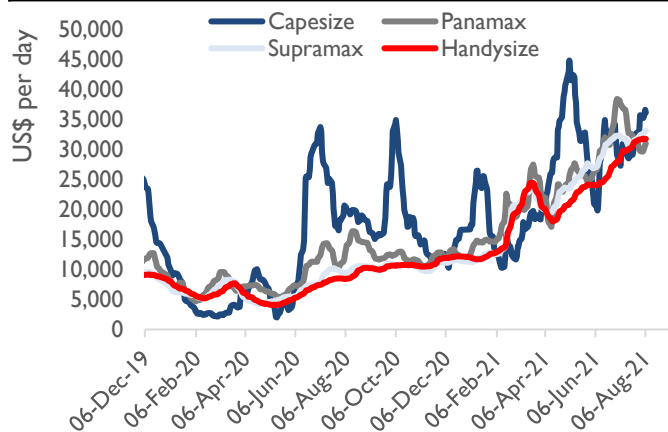
The trend sustains with yet another glorious week for the **supra** market. Rates surge for all trade regions and rates out from the Indian ocean are looking astronomical. BSI closed at \$33,114, up from last week's \$32,395. In the Atlantic, the *Heard Areti* (60,243-dwt, 2017) fixed for a trip with delivery US Gulf and redelivery Brazil at \$40,000. Also, the *LMZ Ariel* (57,000-dwt, 2012) was fixed for

a trip with delivery Otranto to redelivery Continent at \$40,000. In the Indian Ocean, *Kiran Anatolia* (63,478-dwt, 2013) has been fixed for a trip delivery Ciwandan and redelivery in the Far East via South Africa at \$37,500. A similar fixture, the *Darya Mira* (61,087-dwt, 2013) has been fixed for a trip with delivery Jakarta to the Far East via South Africa at \$38,500. In the Pacific, the *Heng Tai Hong* (56,865-dwt, 2010) was fixed for a prompt trip with delivery Yangpu and redelivery Vietnam via Indonesia at \$27,500. Also, *Fareast Harmony* (56,756-dwt, 2012) was fixed for a prompt trip with delivery Chaozhou and redelivery South China via Indonesia at \$25,750.

Overall a positive sentiment felt in both basins, with Owners notably becoming more bullish the Asia markets, while the Atlantic was less active. The **BHSI** closed this week at \$31,793 up \$117 from last week. A needed increase in activity on the Continent and Baltic this week, *Meritius* (28,417-dwt, 2009) open Kaliningrad fixed a rapeseed trip redelivery Hamburg at \$28,000 believed to Clipper. The Mediterranean regions stayed strong with the ongoing grains season, *Good Luck* (37,384-dwt 2018) open in the east Mediterranean was fixed for a trip to Brazil at \$36,000 to Conti-Lines. A 33,000-dwt fixed for a trip via the Black Sea to US Gulf-Caribbean range with an intended cargo of steels at \$33,000. The US Gulf was still showing signs of a slight softening, a 38,000 open US Gulf fixed for a trip to West Coast Central America at \$39,000. It was reported, *New Commander* (37,187-dwt, 2012) fixed from east coast Mexico via United States east coast for a trip to Greece with Scrap at \$25,000 and the *Action Trader* (39,481-dwt, 2017) fixed from the Gulf to Denmark at a rumoured high \$20,000's to Lauritzen. East Coast South America witnessed an increase in prompt vessels remaining open despite some a slow but steady flow of fresh cargo, the indices showing a tick under 40k for a trans-Atlantic trip. In Asia, the momentum shifted in a positive direction, rates rising and Owners looking to fix before national holidays in Japan and Singapore next week. *Pebble Beach* (37,009-dwt, 2013) fixed basis delivery Qinzhou with prompt dates for a trip with an intended cargo of bagged rice with redelivery in West Africa at \$29,000 for the first 75 days then \$31,000 for the balance. A 33,000 logger open Vietnam fixed for 2 laden legs with redelivery worldwide at \$30,000. *K Winner* (31,945-dwt, 2008) logger fixed forward open Singapore-Japan range mid-September for 6 to 8 months with redelivery Worldwide at \$26,000 to IMC.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Great Wencheng	91,439	2005	Zhoushan	7/12 Aug	Kwangyang	\$29,000	Woohyun	Via Brisbane
Ikan Bawal	83,339	2012	Rotterdam	12/16 Aug	India	\$55,000	CNR	Via Baltic
Izumi	82,005	2021	Brake	PPT	Skaw-Morocco	\$31,000	Oldendorff	Via Baltic
Key Journey	80,591	2012	Cigading	8/10 Aug	Malaysia	\$30,000	Sinmal	Via Indonesia
CSK Unity	77,105	2015	Retro Surabaya	24 July	Singapore-Japan	\$30,500	LDC	Via EC South America
Xin Yu	74,090	2001	EC South America	20 Aug	Singapore-Japan	\$25,000	Cargill	Plus \$1,400,000 bb
Kiran Anatolia	63,478	2013	Ciwandan	6/11 Aug	Far East	\$37,500	CNR	Via South Africa
Yuan An Hai	56,957	2009	Koh Si Chang	3/4 Aug	China	\$32,500	CNR	Via Indonesia
Good Luck	37,384	2018	East Mediterranean	PPT	Brazil	\$36,000	Conti-Lines	
Pebble Beach	37,003	2013	Qinzhou	PPT	West Africa	\$29,000/\$31,000	CNR	Int Bagged Rice



Exchange Rates	This week	Last Week
JPY/USD	109.77	109.72
USD/EUR	1.1809	1.1863

Brent Oil Price	This week	Last Week
US\$/barrel	71.64	76.29

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	415.0	427.0
VLSFO	527.0	553.0
Rotterdam IFO	385.0	416.0
VLSFO	499.0	526.0

6 August 2021

Dry Bulk S&P

With charter rates pushing on, there has been perhaps less S&P activity than expected this week (although we are in peak holiday season).

Two Post-Panamax deals to report. Japanese owned *Harvest Sky* (95,717-dwt, 2013 Imabari, BWTS fitted) has been sold to Greek buyers for \$23m. A tick up from the sale of sister vessel *Double Providence* (2012 built) which we reported 4 weeks ago for \$20.75m. *Dyna Camellia* (91,569-dwt, 2007 Imabari, BWTS fitted) has gone to Chinese buyers for \$17.5m.

Elsewhere, in the ultramax sector, after initially calling for offers a week ago *Lowlands Beacon* (61,400-dwt, 2011 Iwagi) has been sold to Vietnamese buyers for \$21m. An exact price match on the *New Aspiration* (2011 built) reported sold 2 weeks ago.

The handysize *Sakura Kobe* (33,735-dwt, 2011 Shin Kurushima) has been sold for \$16.15m – a huge jump up from the sale of sistership *King Cotton* (2011 built) in early July which went for \$14m (SS/DD due).

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Harvest Sky	95,717	2013	Imabari	Gearless	Greek	\$23.00m	BWTS fitted
Dyna Camellia	91,569	2007	Imabari	Gearless	Chinese	\$17.50m	BWTS fitted
Lowlands Beacon	61,400	2011	Iwagi	C4x31T	Vietnamese	\$21.00m	
Yunnan	34,398	2015	Namura	C4x30T	undisclosed	\$16.00m	TC attached until Dec 2022 at \$9,500 p/d
Sakura Kobe	33,735	2011	Shin Kurushima	C4x30T	undisclosed	\$16.15m	

Tanker Commentary

We reported several weeks ago that cash buyers GMS purchased the *Maya VN* (318,778-dwt, 2003 Hyundai) for \$ 560 p/ltd, working out at approx. \$25m. Since then, it is understood that GMS have flipped her out to an unnamed Chinese buyer for \$27m.

sold their *Dee4 Birch* (53,712-dwt, 2006 Shin Kurushima) and sister *Dee4 Acacia* (53,688-dwt, 2006 Shin Kurushima, BWTS fitted) to Ridgebury Tankers for xs \$12m per vessel – both were BWTS fitted.

Details have been released on the sale of two MR tankers that took place some weeks back, as Copenhagen based Dee4 Capital have

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Maya VN	318,778	2003	Hyundai	Chinese	\$27.00m	
Dee4 Birch	53,712	2006	Shin Kurushima	Ridgebury Tankers	\$24.00m enbloc	BWTS fitted
Dee4 Acacia	53,688					

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Parsa	8,224	1991	Teraoka	TANK	3,099.84	1,060	India

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