17 September 2021

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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This week we bring you an extract of the latest HSBC Global Commodities cover themes released on 15th September 2021.


HSBC Global Research

Multi-Asset
Global

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Global Commodities

Upswing is losing steam

After a strong ramp-up, the commodity prices upswing is losing momentum

Oil and metals prices have steadied, agricultural prices have edged lower, although coal and gas markets are tight

The energy transition is re-shaping many commodity markets, adding considerable uncertainty to the outlook

Play video with
Paul Bloxham and Gordon Grey

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Full copy of the report available upon request.

POINTS OF VIEW

- *Some prices are high, but the upswing is losing momentum …*

Over the past six months, the previously strong commodity price upswing has lost some steam. After rising by 55% over the 12 months to March 2021, global commodity prices have risen by only 15% since then. We remain sceptical that the current upswing is a 'super-cycle' and our central case is that global commodity prices edge lower in 2022. In nominal terms, global commodity prices have, so far, risen by 98% during this upswing, compared with a 320% rise in the early 2000s 'super-cycle' between 2002 and 2008.

- *… as global growth slows and goods demand is set to weaken*

The loss of momentum in commodity markets partly reflects the impact that the spread of the Delta COVID-19 variant is having on global growth. A pullback in infrastructure investment and a cooling property market in China, as well as direct action by the Chinese authorities to seek to cool some metals markets, have all weighed on key metals prices. We also expect that, as the COVID-19 vaccine rollout continues, there should be a global shift back to spending on services and away from goods, which is set to weaken manufacturing conditions and demand for metals.

- *Western infrastructure not as raw materials-intensive as China's*

Western economies are ramping up infrastructure spending, but we see these initiatives as unlikely to sufficiently offset slowing growth in commodity demand from China (which dominates demand for most materials). We expect much of the Western demand for metals to be met by recycled materials, as much of the planned infrastructure is repairs, for example to bridges and roads, rather than new developments. The key exception is the new networks for electric vehicles (EVs), which support demand for copper and the battery commodities, including lithium.

- *EM to get an income boost, but mining investment is tepid*

The ramp-up in commodity prices has supported mining profits and national income growth in commodity-driven economies, particularly in Latin America, including Brazil. However, the expected upswing in mining investment is much smaller than occurred during the commodities 'super-cycle' earlier this century. An exception is the large investment pipeline for LNG, and the expected ramp-up in spending on renewables, which is, in turn, supporting demand for some materials, including copper, lithium and cobalt.

- *Climate policy is a big focus across commodity markets …*

Climate change policy shifts by governments, and changing preferences by corporations and investors are having a significant impact on many commodity markets. The European Commission included a proposed carbon border adjustment mechanism in its work programme in July 2021, and following the EU, several other countries such as Canada, Japan and the US are now examining the feasibility of introducing a carbon border tax or similar initiatives. We expect carbon tariffs from different countries to raise prices of global carbon-intensive commodities, both directly and indirectly.

- *… which is creating uncertainty and is a risk for many prices*

An effect of rapidly shifting climate change policies, which we have highlighted in previous reports, is that it discourages investment in large-scale fossil fuel extractive capacity, which pushes up fossil fuel prices. Although it is early days for the long-term climate policy adjustment theme, the past few months have seen sharp increases in coal and gas prices, as demand has been strong but supply more constrained. The long-term outlook for energy markets is heavily affected by the speed and extent to which climate change policies are adopted and implemented.

- *Oil prices steady as OPEC+ gradually releases supply*

Near-term oil price movements have been impacted by concerns about slowing growth due to the Delta variant outbreak, while the addition of supply back to the market by OPEC+ has been a stabilising force. These two key factors will continue to play an important role in oil price dynamics, with a possible return of Iranian oil to the global market and a ramp-up in US tight oil supply, becoming larger factors for the outlook in 2022. Although there is considerable uncertainty, our central case is that Brent oil prices edge lower next year, from an average of US$68 a barrel in 2021 to USD65 a barrel in 2022.

- *Battery commodity prices are in a sustained upswing*

The rapid global shift to EV usage, supported by government climate goals, has continued to strengthen the demand outlook for battery-related commodities and is, once again, lifting prices. Demand for lithium is expected to triple by 2025 relative to its 2019 level. However, the price rise has been more gradual during this upswing than during the 2016 to 2018 'super-cycle' upswing. This reflects that supply is ramping up. As a result, we expect a more sustained but less extreme upswing in lithium prices. The market for cobalt is likely to remain tight until Glencore's Mutanda mine – the world's largest cobalt mine – returns to production, which is set for 2022.

- *Agricultural prices edge lower, but the weather is still a risk*

Agricultural prices increased strongly as the global economy recovered from the initial COVID-19 pandemic shock. Challenging weather patterns, such as a La Niña, had weakened grain supply from South America. The COVID-19 pandemic has also periodically disrupted supply chains, driving volatile price shifts, for US lumber, coffee, wheat and maize. However, prices have fallen back a bit recently. Waning demand from China, as the hog herd was rebuilt following earlier ASF outbreaks, and improving near-term supply have placed downwards pressure on prices. However, weather-related challenges and the possibility of further ASF outbreaks remain a risk to prices.

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Dry Cargo Chartering

The **BDI** closed today at 4,275 points, up 411 points from last week.

A volatile week in the **cape** markets that saw the BCI 5TC fluctuate and eventually close at $53,240, up $7,068 from last week. The usual ore run from Tubarao to Qingdao was fixed with Vale for 170,000 mtons 10% at $33.00 pmt, with mid-end October dates. *Genco Endeavour* (181,060-dwt, 2015) from Genco fixed for a 170,000 mtons 10% iron ore stem from Tubarao option West Africa to Qingdao at $35.00 pmt to Cargill. Salzgitter took an Oldendorff babycape for its 130,000 mtons 10% Narvik to Hamburg at a rate in the low $10's pmt. EZDK took a vessel for 160,000 mtons 10% Narvik to El Dekheila but no further details emerged. Arcelormittal fixed *Stella Naomi* (181,000-dwt, 2016) for 150,000 mtons 10% Port Cartier to Qingdao at $45.75 pmt. AngloAmerican fixed *Courageous* (181,008-dwt, 2016) for their 170,000 mtons 10% iron ore stem from Acu to Bahrain at just over $26 pmt. *Sea Unity* (181,360-dwt, 2010) from Thenamaris, *Wang May* (181,682-dwt, 2019) and the *Chou Shan* (175,569-dwt, 2005) are all reported to have fixed to Rio Tinto at $16.75 pmt for 170,000 mtons 10% iron ore stems from Dampier to Qingdao for end September loading dates.

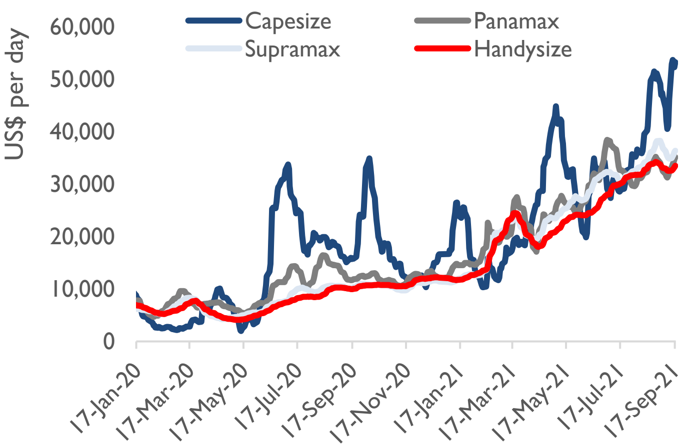
A much more positive week in the **panamax** markets, that saw time-charter averages rise to $35,138, up $2,782 from last week's $32,356. In the Atlantic, it was reported that *Bulk Promise* (78,228-dwt, 2013) fixed delivery Port Said for a trip via the Black Sea and Saudi Red Sea redelivery Egyptian Med at $30,500 to Langlois. Cofco also took *Kerkyra* (81,376-dwt, 2012) delivery arrival pilot station East coast South America for a trip to China with sugar at $32,750 plus a $1.4m ballast bonus. In the Indian Ocean, we heard that unnamed charterers took *Pictor* (76,598-dwt, 2002) delivery Kandla for a trip via the Black Sea to the Far East at $33,500. Over in the Pacific, *Rubicon* (87,334-dwt, 2010) fixed delivery Phu My 15/16 September for a trip via Indonesia to Taiwan at $35,750. Several period deals were recorded this week, among them *MBA Liberty* (82,217-dwt, 2010) that fixed to U-Ming delivery Manila for 5/8 months trading at $32,500 with worldwide redelivery, as well as Tongli taking *Treasure Star* (82,206-dwt, 2010) delivery Panjin on 24 September with minimum redelivery 9 May 2022 and maximum redelivery 9 July 2022 at $30,500 again with worldwide redelivery. Additionally, TS Global fixed the 2005-built *Baltia* for 75,000 mtons 10% coal from Chesapeake and Baltimore to Ijmuiden 3/7 October at $23.00 pmt.

The **supra** market rose and got a break through after its two week slump with rates in all regions seeing a spike, while the Indian market was largely unaffected throughout the week and maintains strong rate indications. The BSI closed at $36,378, up from last week's $34,867. In the Atlantic, *Pacific Advance* (63,507-dwt, 2015) open Houston was fixed for a trip to Morocco at $34,000. *Medi Bangkok* (53,466-dwt, 2006) open Antwerp was fixed for a trip redelivery Singapore-Japan range at $47,000 with a minimum duration of 80 days. In the Indian Ocean, *Alexandra KPN* (61,644-dwt, 2019) was fixed for a prompt trip delivery passing Trincomolee via South Africa to the Far East at $45,000. *Darya Sati* (63,523-dwt, 2018) was fixed for prompt trip delivery Hazira to Bangladesh at $54,000. In the Pacific, *Wooyang Dandy* (56,819-dwt, 2009) was fixed for a prompt trip delivery Singapore via Indonesia to China at $41,000. *Monica D* (52,478-dwt, 2001) was also fixed delivery CJK for a CIS round trip $31,000.

The slight market pause last week was short-lived as the **BHSI** rekindled and started making positive gains throughout the week, closing at $33,499. The Atlantic market was perhaps the leading contributor igniting the BHSI once again, with most regions improving from last week. The Continent was active but little activity was reported. We heard that a 32,000-dwt was fixed from Morocco to the Baltic at $33,000. Earlier in the week within the Mediterranean, *Western Panama* (39,300-dwt, 2015) open Otranto fixed a trip to the US Gulf with steels at $40,000. It was rumoured, *Pollux* (32,017-dwt, 2007) was fixed Damietta via Isdemir redelivery Amsterdam-Rotterdam-Antwerp-Ghent range with steel coils $33,000 to Nova Marine Carriers. *Everest K* (35,065-dwt, 2009) fixed retro-sailing Porto Marghera via Turkey for a trip to the Continent at $34,000. *Unison Star* (38,190-dwt, 2011) was fixed East to China delivery Canakkale via Black Sea at $52,000. The US Gulf arguably the underperformer of the last quarter, especially in the last month, emerged stronger this week. *Elisabeth Oldendorff* (38,330-dwt, 2015) fixed from Galveston to West coast South America at $32,000 to Western Bulk Carriers. *Bona* (32,844-dwt, 2012) open East coast Mexico fixed via North Brazil with steels to Houston at $25,500 with Clipper. The US East coast had *Vipha Naree* (38,851-dwt, 2015) open Savannah fixing for a trip to the UK with an intended cargo of woodpellets at $23,000 to Norden. Across to South America, *Hydra Dawn* (34,274-dwt, 2013) fixed Barranquilla to Black Sea with metcoke at $27,000 to XO and *Promise 3* (32,312-dwt, 2010) open Maceio prompt was fixed for a trip via River Plate with redelivery Brazil at $29,000 to Lauritzen. In Asia, the markets were still abuzz with activity yet little action was actually reported. *Sea Angel* (37,896-dwt, 2016) open Behai prompt was fixed for a trip via Vietnam to South Korea with an intended cargo of limestone at $36,250. A 28,000-dwt open in China with prompt dates was fixed for a trip via CIS with redelivery in China at $26,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Genco Tiberius	175,874	2007	Yeosu	20 Sept	China	$52,000	CNR	Via Australia
Rubicon	87,334	2010	Phu My	15/16 Sept	Taiwan	$35,750	CNR	Via Indonesia
Kerkyra	81,376	2012	EC South America	20/25 Sept	China	$32,750	Cofco Agri	Int Sugar Plus $1,400,000 bb
Bulk Promise	78,228	2013	Port Said	16/20 Sept	Egypt	$30,500	Langlois	Via Black Sea & Saudi Red Sea
Danae	75,349	2005	Busan	PPT	Singapore-Japan	$30,000	ASL Bulk	Via NoPac opt US Gulf
Darya Sati	63,523	2018	Hazira	PPT	Bangladesh	$54,000	CNR	
Wooyang Dandy	56,819	2009	Singapore	PPT	China	$41,000	Fullinks	Via Indonesia
Monica D	52,478	2001	CJK	PPT	China	$31,000	CNR	Via CIS
Western Panama	39,300	2001	Otranto	PPT	USG	$40,000	CNR	Int Steels
Sea Angel	37,896	2016	Behai	PPT	South Korea	$36,250	CNR	Via Vietnam



Exchange Rates		This week	Last Week
	JPY/USD	109.98	109.87
	USD/EUR	1.1780	1.1831

Brent Oil Price		This week	Last Week
	US$/barrel	75.30	72.70

Bunker Prices ($/tonne)		This week	Last Week
	Singapore IFO	476.0	457.0
	VLSFO	557.0	543.0
	Rotterdam IFO	420.0	402.0
	VLSFO	533.0	508.0

Dry Bulk S&P

Another very active week across the various dry sectors with prices continuing on their upward trajectory.

After inviting offers earlier in the week, clients of Cobelfret are understood to have sold their eco-type *Lowlands Nello* (82,014-dwt, 2015 Sanoyas, BWTS fitted) for $32m. With limited Japanese built modern ships being sold, it is clearly a step up from last done *Ionna L* (2017, Tsuneishi Zhoushan) which we reported back in May sold for $29m. Clients of JP Morgan have sold 2 kamsarmax to Greek buyers. *Peak Liberty* (81,837-dwt, 2015 Tsuneishi Fukuyama, MC main engine) is reported sold for $28.4m to Globus, and *Peak Pegasus* (82,026-dwt, 2013 Tsuneishi Fukuyama) for $27m to Newport. The price of Pegasus is again a fairly significant jump up from last weeks reported sale of *Ranger* (2012, Tsuneishi Zhoushan) at $24m.

Plenty of activity in the handy sector. *Hamburg Pearl* and *Houston Pearl* (35k dwt, 2011 Hyundai Mipo) have been committed in the high $18's each to undisclosed buyers. Japanese controlled *Maritime Faith* (33,166-dwt, 2011 Kanda Zosensho) has been sold in the mid/high $16's. A step up from last months sale of the 2011 built *Sakura Kobe* (33,735-dwt, built 2011, Shin Kochi) which we reported sold for $16m. Lastly, clients of SFL have sold out their 7 x handysize fleet to CDBL in a package deal worth $100m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
NNS Dynamic	233,584	2002	Imabari	Gearless	Chinese	$18.50m	
LDN Fortuna	93,251	2011	Jiangsu Newyangzi	Gearless	Chinese	$19.70m	SS/DD passed & BWTS fitted, delivery in January 2022
Lowlands Nello	82,014	2015	Sanoyas	Gearless	Greeks	$32.00m	BWTS fitted
Peak Pegasus	82,026	2013	Tsuneishi Fukuyama	Gearless	Newport	$27.00m	
Peak Liberty	81,837	2015			Globus	$28.40m	
Bellamys	76,286	2005	Tsuneishi	Gearless	Chinese	$17.00m	BWTS fitted
Mahavir	74,005	2000	Imabari	Gearless	undisclosed	$11.90m	
Ingenious	55,648	2011	Hyundai Vinashin	C 4x30T	undisclosed	$17.80m	
Hamburg Pearl	35,921	2011	Hyundai Mipo	C 4x35T	undisclosed	$37.50m enbloc	
Houston Pearl	35,915						
Maritime Faith	33,166	2011	Kanda Zosensho	C 4x31T	undisclosed	$16.50m	
Serenity C	31,754	2011	Jujian Mawei	C 4x30T	undisclosed	$13.50m	
SFL Spey	33,985	2011	Jiangsu Yangzijiang	C 4x30T	CDBL	$100.00m enbloc	
SFL Trent	34,025	2012					
SFL Medway	33,800	2011					
SFL Kent	34,003	2012					
SFL Clyde	31,639	2012	Guangzhou Wenchong				
SFL Dee	31,716	2013					
SFL Tyne	31,905	2012					

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Tanker Commentary

With large oversupply and little demand for wet tonnage, it is no surprise that rates have remained depressed across the board and there are few S&P transactions happening.

The only tanker sale to report this week is the *KHK Vision* (305,749-dwt, 2007 Daewoo, SS/DD due 03/2022), which has been sold to Chinese buyers. She sold for $30m which reflects a downward trend in values when compared to the last 2007 built VLCC to sell, *Takahashi* (314,020-dwt, 2007 NACKS), which sold for $34.35m in June.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
KHK Vision	305,749	2007	Daewoo	Chinese	$30.00m	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Sea Glamour	147,093	2000	Samsung HI	TANK	23,267.00	undisclosed	Chittagong

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