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POINTS OF VIEW

As we had mentioned a few weeks ago, stock market investors are actively looking out for excuses to sell as they lose faith in the sustainability of elevated equity price valuations. We have the spread of the Delta variant which threatens the pace of the global recovery. Demand is returning in the vaccinated world and yet the rundown supply side, and ruptured supply chains, are unable to keep up with this resurgent demand. Ergo, prices are being squeezed up and are feeding through into temporary or, depending upon who you listen to, more persistent inflation. The maintenance of QE and government stimulus programmes is adding fuel to the flames and pushing inflation even higher. The orthodox central bank response would be to raise interest rates and remove the punchbowl. But, the markets throw a taper tantrum at the mere mention of such an intention. China cannot be ignored as it continues its brutal clampdown on the over-stretched real estate sector by cutting the steelmaking capacity that feeds it. This reduces demand for the basic materials, raw materials, energy and finance that have provided the oxygen for property speculation; and it lowers prices. On Monday, investors had their excuse for an indiscriminate mass market sell-off. Evergrande, the world's most indebted developer, with \$305bn outstanding, was said to be about to default on bond coupon payments this week.* Therein lurks the spectre of a giant Ponzi scheme and the failure of auditors and regulators. It recalls a line in Ernest Hemingway's *The Sun Also Rises*: "Bill: How did you go bankrupt. Mike: Gradually, then suddenly." Reminiscent of Japan in 1989? Lost decade(s) ahead?

... Evergrande : Too Tall to Fall ? ...



Source : The FT

Might China allow Evergrande to default? Maybe.** First, to punish greed and speculation. Second, its track record of sabotaging Chinese listings in New York. Third, its effective socialisation of the wealth of China's tech, education and other entrepreneurs in pursuit of 'common prosperity'. Lastly, Xi Jinping's fury at the Aukus agreement over nuclear submarines, seen by China as a Cold War tactic, challenging its supremacy in the South and East China Seas. These acts of apparent self harm add new meaning to the concept of capitalism with Chinese characteristics. The CCP may no longer be willing to tolerate the tall poppies who, often via social media, extend their wealth and popularity into the political arena, a no-go for the CCP, and a Khodorkovsky moment for China.^ Evergrande is an example of a company in defiance of the government's 'Three Red Lines' to rein in property speculation, risking turning it from economic driver to economic drag. Real estate accounts for 29% of China's GDP, and it now poses systemic risks. Xi may want a scapegoat^^ to quell speculation, crush commodity prices and exert total control while also avenging the West's pivotal role in the 2008 GFC and, more recently, in blaming China for Covid-19, its widespread ban of Huawei in 5G, its highlighting of human rights abuses in Xinjiang and its criticism of China's militarisation of the South China Sea. Many reasons not to suffer alone.

Shipping was not immune from the Evergrande fallout on Monday, although it was a case of two quite divergent views. Stock markets, these days run by kids and robots, from bedroom and office, took it badly. A selection of dry bulk casualties included Diana Shipping down 14.0% on the day, Eagle Bulk off 13.6%, Genco Shipping down 14.3%, Golden Ocean off 17.0% and Star Bulk 12.0% lower. Something really awful must have happened overnight. The Baltic Exchange's assessors saw it differently. The BCI-5TC, heavily reliant upon the raw material trades of iron ore and coal that makes the steel that builds the skyscrapers, hit all-time record highs this week and is up 15.2% since last Friday to \$61,309 pd today. In the past week, the BPI is +2.7% to \$36,104 pd, the BSI +1.6% to \$36,838 pd, and the BHSI +3.4% to \$34,650 pd. You can take your pick: stock markets run chiefly by algorithms, that increase volatility, or shipping market indices that are, albeit imperfectly, designed to be fundamentally, as opposed to sentimentally, driven. In shipping, old salty sea dogs, the likes of whom rely upon decades of experience to divine the likely impact of certain events on supply and demand, easily can find themselves confounded by the sheer power and weight of bots and the uninformed. As someone famous once said, markets can remain irrational longer than you and I can stay solvent. It's a casino out there and, with the silence of Trump and the timidity of Biden, President Xi now holds the megaphone.

*A domestic interest payment of \$35.9m, was 'resolved' on Wednesday this week, while an international US dollar interest payment of \$83.5m, remained unpaid and unresolved at the deadline of midday Hong Kong today, Friday. Investors are anxious.

**Possibly, as part of a domestic restructuring. Evergrande's debt is mostly held in China by state-owned banks, local governments and retail investors. It would need to be contained, and not go viral, as China painted the GFC as a failure of the western economic model.

^Mikhail Khodorkovsky used the wealth he generated from Yukos, an oil company, to challenge Putin politically. He was jailed in 2003 on fraud charges, worth an estimated \$15bn, and Yukos was nationalised. He was released and pardoned in Dec 2013, a poorer man.

^^An Evergrande collapse could be contained in theory but, as they all indulge in competitive speculation, Chinese property developers are likely to default en masse. We should bear in mind the old adage that "there is never only one cockroach." Global contagion is possible.

Dry Cargo Chartering

The **BDI** closed this week at 4,644 up 369 points.

The **cape** index closed this week at a staggering \$61,309 up \$8,069 from last week. The Atlantic saw an increase in cargo enquiries, while charter trips with strong numbers reported from the Pacific. Rio Tinto was rumoured to have fixed 170,000mt 10% iron ore from the usual Dampier to Qingdao run at \$18.40. Panocean took the *Mineral Brugge* (175,155-dwt, 2011) from Kunshan for a round voyage via west Australia at \$69,000, and Kline took the *Seamate* (177,775-dwt, 2010) from Hong Kong for a trip via east Australia to India at \$69,250. A backhaul run from Haypoint to Rotterdam was rumoured to have done at approximately \$29 via Cape of Good Hope. In the Atlantic, Vale took the *Pacific vista* (180,329-dwt, 2012) for moving 160,000mt 10% from PDM to Constantza at \$24.50. Rumours of 170,000mt 10% iron ore from Tubarao to Qingdao fixing at \$38.00 with second half October dates. Olam fixed *Castillo de Catoira* (173,587-dwt, 2005) for their 170,000mt 10% iron ore stem from Tubarao to Qingdao from 10 October onwards at \$35.50.

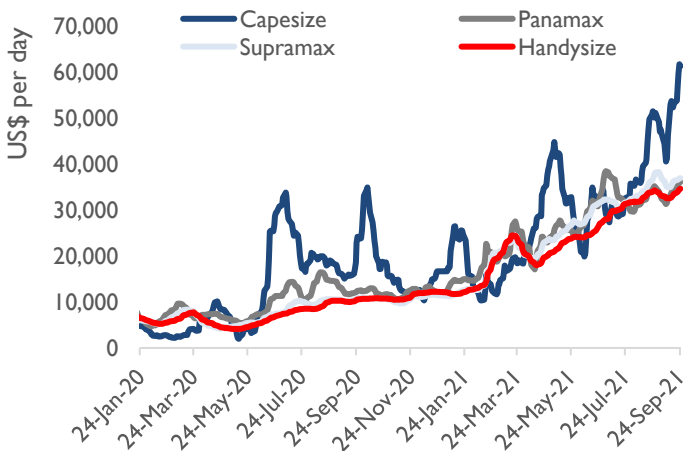
The **panamax** market firmed slightly this week compared to last week's levels. The market closed today at \$36,104 up by \$966 (2.75%) since last reported on 17th September. In the Pacific, the *Yarra Star* (82,624-dwt, 2008) fixed delivery Lumut 26/29 September for a trip via Indonesia to India at \$38,250 per day, Cargill took the *Oceania Graeca* (82,033-dwt, 2019) delivery Zhanjiang 22/23 September for a trip via US Gulf to Singapore-Japan range at \$34,000 per day and Klaveness covered the *ITG Uming* (81,361-dwt, 2017) delivery Mizushima prompt for a trip via NoPac to Singapore-Japan range at \$36,500 per day. In the Indian, Louis Dreyfus fixed the *Kenta* (76,487-dwt, 2010) delivery Gangavaram 12th September for a trip via EC South America to Singapore-Japan range at \$34,250 per day whilst Cofco Agri fixed at 2.5% addcom the *Magic Mars* (76,822-dwt, 2014) delivery Trincomalee 23/25 September for a trip via Black Sea to Singapore-Japan range at \$34,500 per day. Alternatively, Cobelfret took the *Navios Centaurus* (81,472-dwt, 2012) delivery Port Dickson 26/28 September for 4-6 months redelivery worldwide at \$34,000 per day, Trafigura fixed the *Pedhoulas Merchant* (82,214-dwt, 2006), a Hyundai Glovis relet, basis delivery Gresik 27th September for the balance of period up until 5th February 2022 with redelivery worldwide at \$34,250 per day and ASL Bulk fixed the *Maera* (75,403-dwt, 2013) delivery Yuhan spot for 1 year with redelivery worldwide at \$26,000 per day. RINL also took a TBN vessel for their 75,000 mtons 10% coal from Dalrymple Bay to Gangavaram for 5/14 October at \$30.05pmt.

The **supra** market continues to see green over the week as rates continue to rise. Rates in all regions are seeing a very steady increase with exceptional performance in the South East Asian Market. BSI closed at \$36,948, up from last week's \$36,377. In the Atlantic, the *Princes Margo* (63,500-dwt, 2015) open Rotterdam was fixed for a trip with redelivery Annaba via Poland at \$45,000. The *Bao Glory* (53,463-dwt, 2009) open West Africa was fixed for a trip to China at \$38,000. In the Indian Ocean, *Gentle Seas* (63,350-dwt, 2014) was fixed for a trip with delivery Kandla and redelivery around the Continent Region at \$40,000. *Marylaki* (58,114-dwt, 2010) fixed passing Colombo for a South Africa to Far East round voyage at \$35,000. In the Pacific, *Carla* (63,453-dwt, 2019) fixed a trip with delivery Davao and redelivery South East Asia region via Gladstone at \$43,350. While the *Akij Heritage* (56,055-dwt, 2008) was fixed for a trip with delivery Lanshan and redelivery China via CIS Pacific at \$34,000.

The **BHSI** closed this week at \$34,650 up \$1,151 from last Friday. The rates across all major loading zones continued to push forward with little signs of easing. On the Continent, a 35,000-dwt fixed trip to Brazil at \$40,000 per day, while a 38,000-dwt fixed a scrap run to Turkey at \$40,000. Further south, *Handy Perth* (35,177-dwt, 2013) open Conakry fixed arrival Jorf Lasfar, redelivery Bangladesh at \$45,000, an increasing number of back haul inquires now circulated. In the Mediterranean, intramed fixtures fix close to \$40,000, *Voge Emma* (36,830-dwt, 2011) open Taranto fixed trip via Black Sea to the Continent at \$35,000 with TKB. *Icy Bay* (37,570-dwt, 2017) fixed out of the east Mediterranean for a trip redelivery USG with steels at \$41,000. The US Gulf was equally strong, trans-Atlantic fixtures around mid-twenties, earlier in the week, *TBC Progress* (32,306-dwt, 2012) delivery Vera Cruz via South-West Pass redelivery Morocco with Coal at \$24,500 to Western Bulk Carriers. Plenty of action down the east coast of South America, a 36,000-dwt fixed for a trip from Vila do Conde to the Baltic at \$37,000, *Cs Crystal* (30,478-dwt, 2010) in Ballast from North Brazil fixed Plate redelivery Caribbean at \$47,500. In period, *Mega Maggie* (31,922-dwt, 2009) open Praia mole rumoured fixed for balance of period, 4-5 months, redelivery worldwide at \$35,000. In Asia, *Cassiopeia star* (32,328 2005) logger type was fixed basis delivery CJK for a trip to WC India with an intended cargo of Logs at \$34,000 to Transcend. *Benjamas Naree* (33,780-dwt, 2012) open Lianyungang fixed via Japan to the Continent with an intended cargo of steels at \$35,500. A 32,000 was rumoured to have been fixed for a trip from Vietnam to China with an intended cargo of clinker in the high \$30,000's but no further details surfaced.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Seamate	177,775	2010	Hong Kong	PPT	India	\$69,250	Kline	Via E.Australia
Mineral Brugge	175,155	2011	Kunshan	25/26 Sept	Singapore-Japan	\$69,000	Panocean	Via W.Australia
Yarra Star	82,624	2008	Lumut	26/29 Sept	India	\$38,250	CNR	Via Indonesia
Kythira I	81,444	2011	CJK	21 Sept	Singapore-Japan	\$33,250	Cofco Agri	Via US Gulf
Kenta	76,487	2010	Gangavaram	12 Sept	Singapore-Japan	\$34,250	Louis Dreyfus	Via EC South America
Carla	63,453	2019	Davao	27 Sept	South East Asia	\$43,350	Norden	Via Gladstone
Gentle Seas	63,350	2014	Kandla	17/19 Sept	Continent	\$40,000	Oldendorff	
Akij Heritage	56,055	2008	Lanshan	21 Sept	China	\$34,000	CNR	Via CIS Pacific
Benjamas Naree	33,780	2012	LiangYunGang	29/30 Sept	Continent	\$35,500	CNR	Via Japan Int Steels
Alexandros III	32,631	2010	Savannah	PPT	Continent	\$23,000	Minship	Via N.Brazil Int Clay



Exchange Rates	This week	Last Week
JPY/USD	110.72	109.98
USD/EUR	1.1706	1.1780

Brent Oil Price	This week	Last Week
US\$/barrel	77.70	75.30

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	490.0	476.0
VLSFO	561.0	557.0
Rotterdam IFO	430.0	420.0
VLSFO	534.0	533.0

24 September 2021

Dry Bulk S&P

As we see cape spot rates hit above \$60,000 for the first time since 2008, it's another busy week across the board with prices continuing to climb in the S&P markets.

In the Panamax sector, the Japanese controlled *Sea Vision* (77,154-dwt, 2015 Imabari) has been sold to client of TMS, Greece for \$29m. A big increase compared to the last done *Orient Genesis* (78,162-dwt, 2014 Shin Kuru, Scrubber fitted) back in early July which went for a mere \$23m.

In the Ultras, *Sailing Sky* (61,346-dwt, 2014 Shin Kasado) has been committed at \$27.5m to Vietnamese buyers. A price more or less in line with the *Nord Summit* (61,649-dwt, 2011 Oshima, Scrubber fitted) which sold for \$25.5m at the start of September.

Elsewhere, *Million Bell* and *Glad Mark* (58k dwt, 2012 Kawasaki) have now been sold to undisclosed buyers for \$45m enbloc.

In the Handy arena, the box hold type *Cielo Di Gaspesie* (37,064-dwt, 2012 Hyundai Mipo, OHBS) is now reported to have gone for \$19.25m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Sea Vision	77,154	2015	Imabari	Gearless	TMS	\$29.00m	
Palais	75,434	2014	Jiangsu Rongsheng	Gearless	undisclosed	\$23.00m	
Sailing Sky	61,346	2914	Shin Kasado	C 4x31T	Vietnamese	\$27.25m	
Million Bell	58,665	2012	Kawasaki	C 4x31T	undisclosed	\$45.00m enbloc	
Glad Mark	58,642						
Cielo Di Gaspesie	37,064	2012	Hyundai Mipo	C 4x30T	undisclosed	\$19.25m	OHBS
Cactus K	31,893	2011	Hakodate	C 4x30T	Meadway	\$16.30m	SS/DD passed & 5HO, 5HA



Tanker Commentary

Malaysian controlled *Bunga Kelana 7* (105,194-dwt, 2004 Samsung) and *Bunga Kelana 8* (105,174-dwt, 2004 Samsung) are reported to have changed hands this week for \$13.4m. This represents little movement in price when compared to *Jag Lata* (105,716-dwt, 2003 Hyundai Samho) which sold last month for \$13m.

StealthGas are reported to be the main players behind the MR activity this week. They have swooped up the deepwell MR controlled by Xihe Holdings, *Ocean Mars* (50,388-dwt, 2007 SLS).

For comparison, the last deepwell MR sold was *TMN Pride* (48,676-dwt, 2006 Iwagi Zosen) which sold for \$8.25m to European buyers at the end of August. StealthGas are also rumoured to have been the buyers of Japanese controlled *Justice Express* (45,998-dwt, 2011 Shin Kurushima, SS/DD due 01/2024). It is believed she has gone for \$17.1m which is a slightly firm price when compared with *Hellas Explorer* (51,246-dwt, 2008 STX, SS/DD due) which sold to Astra Shipping, Greece for \$12.8m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Bunga Kelana 7	105,194					
Bunga Kelana 8	105,174	2004	Samsung HI	undisclosed	\$26.60m enbloc	
Ocean Mars	50,388	2007	SLS	StealthGas	-	
Justice Express	45,998	2011	Shin Kurushima	StealthGas	\$17.10m	BWTS fitted

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Ice Condor	19,787	2000	Sankt-Peter	TANK	7,715.00	undisclosed	undisclosed
Gema	19,831	2001	Sankt-Peter	TANK	7,517.00	616	Pakistan

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