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... Disruption upon Disruption ...



Source: The FT

\*There is a mismatch between what are normally 24/7 factory and port operations in China and the regulated part-time procedures at LA/LB where the ILWU holds sway, putting a chokehold on US imports. Low and behold, LA/LB is about to go 24/7. Expect more chaos.

\*\*Real estate represents 29% of GDP, and almost 75% of household wealth is tied up in property. 1.6m home buyers are left in limbo by Evergrande, with real estate issues now impacting consumer spending. The central government needs to act to avoid a crash landing.

^International investors had hoped for strong support from Beijing and more aggressive government intervention under the current precarious circumstances. As one senior banker put it to the FT: "They are looking for kung fu but they're getting tai chi."

^^The BCI-5TC fell 23% from \$83,865pd last Fri 8 Oct to \$64,417pd today, Fri 15 Oct. Meanwhile, the BFA Cape for this Q4 fell 15% from \$58,284pd last Fri 8 Oct to \$49,774pd today. Markets are on a mission to find reasons to get rattled.

### POINTS OF VIEW

Demand was surging, at least in the vaccinated world, but now it is stuttering. On the one hand, economic uncertainty is discouraging households from spending more for the time-being, so savings continue to pile up. On the other hand, a shortage of labour and manufacturing capacity reveals an inability to supply, so it is a good time to pause demand. This may be the best way to work through the logjams and bottlenecks in global supply chains, leading to a slower return to what could be an altered state of normal. In the meantime, we face the possibility of temporary stagflation: lower growth and higher prices. This period will be uncomfortable as higher energy and food prices will impact poorer families, communities and countries the most. We have exposed the limitations of just-in-time supply chains, inadequate transport and logistics networks, and an absence of emergency inventories and storage.\* Western political naivety, and an inability to think and act long-term, leaves us facing a void between insufficient investment in old world oil and gas and deficient delivery of new world renewables. Someone out there thought we could just flick a switch to a carbon-free future instead of planning for a 20-30 year transition. If only politicians were better grounded in practical business experience rather being experts in abstract political theory.

In the West, we watch the US and Europe beating each other up at a time when their energies would best be saved to protect us all from external threats. In the US, the orange man is on the war path again while the current incumbent of the White House exudes weakness. However, apart from rolling over most of his predecessor's policies he does see the value of concerted rather than solo action. He told Boeing and Airbus to drop their subsidy dispute, which is harming them both, in tacit acceptance that even were they to abide by WTO rules, their challengers in China, Russia and Brazil almost certainly will not. Time to move on. Constantly we are left with the impression, fed by our free press, that China and Russia are getting more powerful and that we are weak and unable to compete. Russia annexed Crimea, China grabbed Hong Kong, Russia eyes up the Ukraine, and China seeks to 'reunite' Taiwan with the mainland. In cyber and AI terms, both seem to be getting ahead of an inward-looking West. Geopolitical issues aside, we are witnessing a phase in which Xi Jinping is forcefully slowing down the Chinese economy. He was concerned about a real estate bubble so he is clamping down on the miscreants and appears not to care for their commercial futures. He walks a tightrope, as public acquiescence in the command structure of the CCP is given in exchange for continued economic prosperity, and this is now put at risk. As factories close and the lights go out, the Chinese people face a huge test this winter. Will most of the people accept a return to deprivation, or reject it?

Beijing may not flinch if property developers like Evergrande, Fantasia, Sinic or China Vanke go bust so long as other developers step in and finish off and deliver the apartments that people bought off plan and paid for in advance.\*\* Speculative companies running Ponzi-like schemes will not elicit sympathy and lessons may be learnt the hard way.^ However, if government enforcement of its Three Red Lines craters land bank values then this may lead to a domino effect collapse of many real estate companies. The central government would then be faced with no alternative other than the wholesale nationalisation of the sector. This would represent a further (expensive) clampdown on private enterprise. Maybe this is what 'common prosperity' is really all about, a return to state control, with implications well beyond China's borders. On a practical level, power cuts and factory closures are a product of central government policy and they threaten both economic growth and social stability. In its usual pragmatic style, Beijing will suspend climate targets, import more coal and gas, and build itself more coal-fired power stations. China's coal imports in September were up 4.8mt, or 17%, MoM from 28.1mt to 32.9mt and up 14.2mt, or 76%, YoY. This helped compensate for a fall in iron ore imports which dropped to 95.6mt in September, down 1.9mt, or 2%, MoM and down 13.0mt, or 12%, YoY. Ironically, it is coal to the rescue, despite which the BCI-5TC and BFA-Cape had a poor week.^ Of note, China's total power consumption was up 12.9% YoY in Jan-Sep 2021. The gauntlet is now at COP26's feet. As the Queen might ask, is it going to be more or less hot air?

## Dry Cargo Chartering

The turbulence continued this week across the **cape** markets, this time seeing rates crashing down \$19,448 to close play at \$64,417. Despite this, on Wednesday Classic fixed the ST Shipping relet *Golden Calvus* (180,521-dwt, 2018) delivery Rotterdam 21/22 October for a trip to China at a still impressive \$120,000 per day. In terms of iron ore voyage fixtures, Rio Tinto were very active with five of their 170,000 mtons 10% Dampier-Qingdao deals coming to light. Among these was the 2010-built *Bulk Peace* at \$23.10 pmt for 23/25 October. Rates along this route slid as the week went on, and by Wednesday these charterers were fixing stems at \$17.70 pmt for late October dates. Additionally, we heard that the 2011-built Mingwah relet *Great Song* was chartered for 170,000 mtons 10% iron ore from Saldanha Bay to Qingdao for early November dates at \$36.90 by K-Line. Little was reported in terms of coal or period fixtures. Rates along the usual Tubarao-Qingdao route resisted the easing of freight prices somewhat and remained at a comparatively high \$40 pmt, while rates along the Western Australia-China route finished up at around \$16.75 pmt.

The **panamax** market rebounded this week as it closed today at \$36,584 up by \$1,790 (5.14%) since last reported on 8th October. In the Pacific, Cargill fixed the *lolcos Commander* (76,094-dwt, 2013) for delivery Manila 18/20 October for a trip via Indonesia to Japan at \$41,500. Omega took the *Ekaterini* (82,006-dwt, 2018) delivery Kashima prompt dates for a trip via NoPac to Singapore-Japan range at \$41,000 and Cardinal covered the *Rosco Cypress* (76,801-dwt, 2004) basis delivery retro sailing Singapore from the 1<sup>st</sup> October for a trip via East Coast South America back to Singapore-Japan range at \$33,750. In the Indian, Bunge fixed the *Seastrength* (81,134-dwt, 2011) basis delivery retro sailing Oman from the 11<sup>th</sup> of October for a trip via the Black Sea to the Far East at \$43,500 whilst Oldendorff has taken *Aom Federica* (81,914-dwt, 2020) basis delivery Dahej 11<sup>th</sup> October for 4-6 months with redelivery worldwide at \$40,000. In the Atlantic, Oldendorff fixed the *Chailease Glory* (76,633-dwt, 2003) basis delivery aps US Gulf 27/31 October for a trip to Singapore-Japan range at \$38,000 + \$1,450,000 BB. Cargill took the *Naias* (81,852-dwt, 2012) for delivery aps South Brazil 22<sup>nd</sup> October for a trip to Singapore-Japan range at \$34,000 plus \$1,400,000 bb whilst Cargill also covered the *Agios Nikolas* (76,390-dwt, 2014) basis delivery Fos 19/20 October for a trip with grains via both Black Sea and then Aqaba with redelivery Port Said at \$35,500. Alternatively, ASL Bulk has fixed the *Mondial Sun* (82,035-dwt, 2019) delivery Chiba end of October for about 9 to about 11 months with redelivery worldwide at \$32,500 whilst Oldendorff has taken the *Alkimos Heracles* (81,992-dwt, 2014) for delivery Matsuura 14<sup>th</sup> October for min 6 max 8 months with redelivery worldwide at \$38,000. RINL has also taken a TBN vessel for their 75,000 mtons 10% of coal from Dalrymple Bay to Gangavaram for 3/12 November at \$32.75 pmt.

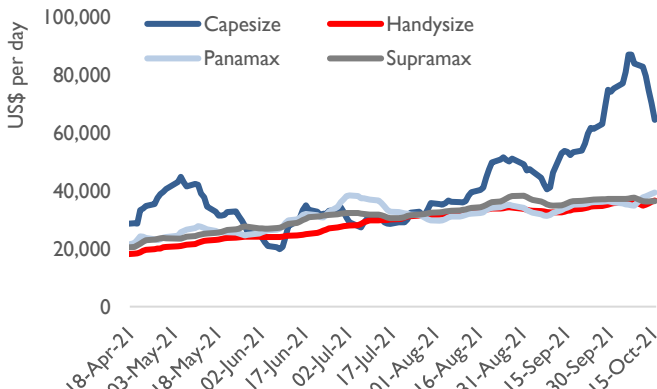
An absolutely stupendous week for the supra market. Currently the market is

experiencing its highest potential with room for more growth. Rates are looking strong in all regions and we can expect more improvement in the coming weeks. BSI closed at \$39,333, up from last week's \$37,585 In the Atlantic, the *Ocean Venture* (63,266-dwt, 2016) was fixed for 2/3 Laden Legs with delivery Savannah and redelivery in the Atlantic region at \$46,000. Another was the *Osiris* (53,589-dwt, 2004) that was fixed for a prompt trip with delivery Recalada and redelivery Brazil at \$40,000. In the Indian Ocean, *Jal Kamar* (63,317-dwt, 2020) was fixed for a trip with delivery Port Elizabeth and redelivery Indonesia via South Africa to China range at \$32,000 plus \$1,175,000 bb. The *Common Atlas* (62,985-dwt, 2014) open Tuticorin was heard to be fixed for \$41,000 for 4 to 6 months. In the Pacific, *Corinthian Emerald* (57,600-dwt, 2012) was fixed for a trip with delivery Kuantan and redelivery China via Indonesia at \$43,500. Also, the *Vinalines Brace* (53,529-dwt, 2007) was fixed for a trip carrying sands with delivery Singapore and redelivery China at \$38,500.

The **BHSI** closed this week at \$36,372 up a marginal \$103 from last week. Another steady week in the Atlantic, the Continent was firm yet little reported activity, at times Owners rates clashing with Charterers estimations. *Everest K* (35,065-dwt, 2009) rumoured to have fixed basis Skaw, redelivery Cuba at \$45,000 with Taino. Activity in the Mediterranean picked up as the week progressed, a 37,000-dwt vessel fixed basis Canakkale via Black Sea redelivery Tunisia with grains at \$35,000 to Al Ghurair. In the Black Sea, *HTK Discovery* (37,322-dwt, 2009) fixed for a trip from Tuapse to Dakar-Abidjan with grains at \$46,000 to Seaboard. Lack of fresh prompt cargo in the US Gulf pushed Owners further afield. A 30,000-dwt vessel fixed grains from Mississippi river to the east of the Mediterranean at \$34,000 while a 37,000-dwt fixed from Mexico into the Caribbean at \$32,000. Down the east coast of South America *Pelagiani* (35,313-dwt, 2004) open in Rio De Janerio was fixed for two Laden Legs with redelivery in the Atlantic at \$32,000. Gant Flair (28,339-dwt, 2010) open Recalada fixed basis delivery Santos for a trip to Bizerte with an intended cargo of sugar at \$30,000. *Kociewie* (38,98-dwt, 2009) was fixed earlier this week for a trip from Recalada to the UK-Continent intention Liverpool with grains at \$36,000. *Alice Star* (32,029-dwt, 2008) was fixed basis delivery Paranagua to Portugal again with sugar at \$31,750. In the Indian Ocean, a 37,000 open in Visakhapatnam was rumoured to have been fixed for a trip to Xiamen with an intended cargo of granit at \$33,000. A shortage of prompt tonnage in the Japan, South Korea and North China regions, which some felt might have contributed to strengthening both rates and sentiment. *Ha long bay* (32,311-dwt, 2007) open in Taiwan was fixed for a trip via South East Asia to the Continent with an intended cargo of steels and generals at \$35,000. *Ocean Victoria* (37,520-dwt, 2021) open Bukpyung fixed a trip redelivery South East Asia intention Thailand at \$33,000. On period, *Eco Dynamic* (32,354-dwt, 2005) open Surabaya fixed 4 -6 months Redelivery world-wide at \$35,000.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Golden Calvus	180,521	2018	Rotterdam	21/22 Oct	China	\$120,000	CNR	
Ekaterini	82,006	2018	Kashima	PPT	Singapore-Japan	\$41,000	Omega	Via NoPAC
Naias	81,852	2012	South Brazil	22 Oct	Singapore-Japan	\$34,000	Cargill	Plus \$1,400,000 bb
Bosco Cypress	76,801	2004	Singapore	1 Oct	Singapore-Japan	\$33,750	Cardinal	Via EC South America
Chailease Glory	76,633	2003	US Gulf	27/31 Oct	Singapore-Japan	\$38,000	Oldendorff	Plus \$1,450,000 bb
Ocean Venture	63,266	2016	Savannah	15 Oct	Atlantic	\$46,000	XO Shipping	2/3 LL
Noshima	58,026	2013	Subic Bay	17 Oct	China	\$41,000	ESM	Via Indonesia
Osiris	53,589	2004	Recalada	PPT	Brazil	\$40,000	Bunge	
Pelagiani	35,313	2004	Rio De Janerio	PPT	Atlantic	\$32,000	CNR	2 LL



Exchange Rates	This week	Last Week
JPY/USD	114.32	112.03
USD/EUR	1.1602	1.1575

Brent Oil Price	This week	Last Week
US\$/barrel	84.82	83.01

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	524.0	518.0
VLSFO	618.0	583.0
Rotterdam IFO	488.0	472.0
VLSFO	600.0	570.0

15 October 2021

### Dry Bulk S&P

Another strong week in terms of activity across all sectors of the dry s&p market. In the larger segment, clients of Eastern Pacific have acquired two ore carriers, *Stella Ivy* and *Stella Bella* (250k-dwt, 2015 Qingdao Beihai), from Cara Shipping for \$58 and \$60m respectively including a TC to BHP until 2026. With rates flying, there are further cape sales to report. *Cape Garland* (178k-dwt, 2009 Mitsui) has been sold for \$32.25m basis delivery November to Chinese buyers and *ASL Mars* (175k-dwt, 2004 SWS) has been committed for \$16.2m basis delivery Q1 2022, again to Chinese buyers. The sale of *Cape Garland* (2009) displays another step up on prices when compared to the 3 year younger *True Endurance* (179k-dwt, 2012 HHI) which reported sold last week for \$33m.

Plenty of action in the kamsarmax space, with a number of ships currently inviting offers and under negotiations this week. At time of writing, it is understood *Lena B* (82k-dwt, 2017 Tsuneishi Zhoushan) has been committed to Vietnamese buyers for \$35m. *Ibis Wind* (83k-dwt, 2013 Sanoyas, BWTS fitted) has been sold for

\$28.1m to Far Eastern buyers which is another jump up on last done, *Peak Pegasus* (2013, Tsuneishi) sold \$27m last month. Elsewhere, the 2015 Panamax *Orient Violet* (77k-dwt, 2015 Imabari) has been sold to TMS Dry for \$30.5m.

In the supras, *Carmencita* (58k-dwt, 2009 Tsuneishi Cebu) has been sold for \$21m and the Chinese built *Mariner* (56k-dwt, 2009 Jiangsu Hantong) has changed hands for \$17m. By comparison, the last 2009 Tess-58 (New Pride) sold for \$18.9m and the last 2009 Dolphin-57 (Skylight) sold for \$15.5m – both within last month.

In the Handysize sector, *Oriana C* (34k-dwt, 2012 SPP) has been sold to Greek buyers for mid \$16m basis delivery November. *Ocean Hope* (32k-dwt, 2012 Kanda Zosensho) called for offers this week, and is now understood sold for \$18.2m to undisclosed buyers basis January delivery.

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Stella Bella	250,380	2016	Qingdao Beihai	Gearless	EPS	\$60.00m	TC to BHP until 2026
Stella Ivy	250,345	2015	Qingdao Beihai	Gearless		\$50.00m	
Cape Garland	178,394	2009	Mitsui	Gearless	Chinese	\$32.25m	
ASL Mars	175,085	2004	SWS	Gearless	Chinese	\$16.20m	Delivery Q1 2022
Bluemoon	170,089	2002	Ishikawajima-Harima	Gearless	Chinese	\$15.75m	
Ibis Wind	82,937	2013	Sanoyas	Gearless	Far Eastern	\$28.10m	
Lena B	81,922	2017	Tsuneishi Zhoushan	Gearless	Hoa Phat	\$35.00m	
Orient Violet	77,111	2015	Imabari	Gearless	TMS Dry	\$30.50m	
Carmencita	58,773	2009	Tsuneishi Cebu	C 4x30	undisclosed	\$21.00m	
Mariner	56,784	2009	Jiangsu Hantong	C 4x35	undisclosed	\$17.00m	
Shandong Hai Sheng	56,532	2011	Yangzhou Guoyu	C 4x36	Chinese	\$17.80m	Auction
Oriana C	34,417	2012	SPP	C 4x35	Greek	\$16.50m	

## Tanker Commentary

In the first transaction modern LR2 transaction since May, Navig8 are reported to have offloaded two 2018 built New Times vessels to JP Morgan. The vessels are reported to have changed hands for \$48m each. The last comparable sale was *Folegandros* (109,896-dwt, 2018 SVWS) and *Kastelorizo* (109,900-dwt, 2019 SVWS) which both sold to Capital in May for \$42m each.

Norden are reported to have swooped up two modern deepwell MR's. They have taken over *Eco Los Angeles* (50,185-dwt, 2020 Hyundai Mipo) and *Eco City of Angels* (49,815-dwt, 2020 Hyundai Mipo) for \$36.50m each with a TC back to Trafigura, at the time of writing the length of the TC is unknown.

In the larger crude sector, state backed Russian operators Sovcolmlot are reported to have sold *SCF Ural* (159,314-dwt, 2002 Hyundai HI, BWTS fitted, CAP 1) for \$16m to Saudi Arabian buyers. She was fixed enbloc with an exact sister at \$16m each back in May however the deal with Greek buyers fell though. Elsewhere in the older tanker sector, US players Teekay have sold *Americas Spirit* (111,920-dwt, 2003 Hyundai HI) for \$11.7m to Winson Oil. Her imminent dry dock position explains the discount when compared to *Jag Lata* (105,716-dwt, 2003 Hyundai Samho), which sold in August for \$13m.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
SCF Ural	159,314	2002	Hyundai HI	Saudi Arabian	\$16.00m	
Americas Spirit	111,920	2003	Hyundai HI	Winson Oil	\$11.70m	
Eco Los Angeles	50,185	2020	Hyundai Mipo	Norden	\$36.50m	TC to Trafigura at \$17,500 day attached
Eco City of Angels	49,815	2020	Hyundai Mipo		\$36.50m	

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