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Source : The FT

### POINTS OF VIEW

At least the current disruption to global supply chains has raised public awareness of shipping. Aerial footage of packed container yards at Felixstowe and 100 box ships at anchor off LA/LB bring home just how dependent we are on shipping, and on HGV drivers, for most of our consumer goods. There maybe fewer occasions when clumsy newspaper articles about trade in dry bulk goods feature a photo of a tanker. In Commodore Research's last Weekly Report it noted how the Breakwave Dry Bulk Shipping ETF (BDRY) has remained the best performing ETF of all non-leveraged ETFs in the first three quarters of 2021. The ETF, linked to FFA values, saw it rise 368% in the year to end Q3 and easily dwarf all other non-leveraged ETFs. It has been in understandable decline this month as Beijing takes steam out of its over-heated domestic steelmaking and other energy-intensive processes, especially those that are linked to the highly leveraged real estate sector. This could last until mid-end March by which time both Olympic Games will have finished. This should give Beijing enough time to enforce its draconian restructuring of its domino-defaulting property companies, paving the way for a springtime renaissance of the very industries that now are under the hammer. Postponed 2021 demand recovery will meet a 2022 cyclical low point in net new tonnage supply, suggesting that dry bulk markets have more to do, just not now.

Despite the recent decline in cape spot and futures, Commodore mentioned that the BDRY still remains close to its all-time high. It notes that container shipping "bizarrely continues to often be incorrectly mentioned when discussing BDRY and dry bulk shipping. ETF.com's article discussing BDRY's 368% performance, in particular, concluded with the journalist discussing supply chain inefficiencies and container shipping rates." It seems that most media are incapable of discerning the different roles played by bulk carriers, tankers and containerships, so what hope is there for investors? It is reminiscent of the days when the talking heads on Bloomberg TV referred to the BDIY (their ticker for the BDI) as a forward demand indicator. Actually, it is more correctly an indicator of the supply and demand balance in the dry bulk sector. The degree to which investors are well informed or ignorant presumably varies a lot from hedgies and prequities to bedroom dwellers and the man on the Clapham omnibus. One thing they all like is volatility, as they can all make money from knee jerks, and this questions the extent to which they really need to know about the underlying business. Being an aware and informed investor can be an impediment, as placing a bet based upon logical analysis of the consequences of a certain event on prices can be met by an opposite outcome. The great unwashed, whether informed or not, hold sway.

Back to the real world. Chinese GDP growth came in at 4.9% YoY in Q3 after 7.9% in Q2 and 18.3% in Q1. However, it rose only 0.2% MoM while industrial production growth came in at 3.1% in September which was only 0.1% up on August. We are witnessing a slowdown but, let us remember, the energy crisis is global and China's property sector deleveraging, with all its consequential effects, is self-induced. Xi Jinping has decreed that houses are for living in, and thou shalt not speculate. Examples will be made in pursuit of macro economic stability, the likes of which have been threatened by an out-of-control real estate sector. Heavy industry and manufacturing will be curtailed until 2Q22 in the interests of saving energy and protecting the environment, and so as to guarantee blue skies for China's Winter Olympics. Monthly YoY retail sales growth has been plunging all year, despite an uptick in September, a sign of evaporating confidence, much of which can be attributed to a property market that is under the president's cosh.\* More bad things will be done unto China's rich people to promote the mantra of 'common prosperity' and, one suspects, results may be achieved rather faster than Boris Johnson's 'levelling up' campaign in the UK. It all points to a tough two quarters for capes in particular, beholden to iron ore and coking coal, that are now not so much needed, and to thermal coal, that is now not so much available. The big boys had a good run and are currently giving up some of their profits just as their smaller siblings are building up theirs, in a reconvergence of fortunes in the dry bulk sector.\*\* At times like this, a little patience goes a long way.

\*The unintended consequences of Beijing's policies are higher energy bills, dwindling savings and potentially fewer jobs, thus hurting the very people that 'common prosperity' is designed to help.

\*\*Fri 15 Oct to Fri 22 Oct: BCI-5TC down 20% from \$64,417pd to \$51,463pd. While BFA Cape for 4Q21 down 8% from \$49,774pd to \$45,780pd and for 1Q22 down 15% from \$26,211pd to \$22,264pd.

## Dry Cargo Chartering

The **BDI** closed this week at 4,410 points, dropping by 444 points from last week.

A further dramatic drop was seen across the **cape** markets as rates plummeted once more in the second half of the week. Time-charter averages ended up at \$51,463, down \$12,954 from our last report. An abundance of iron ore voyage fixtures were reported this week. Among the charters along the usual Western Australia-China route was the 2005-built Oak relet *Chou Shan* for 170,000 mtons 10% from Dampier to Qingdao for 3/5 November at \$16.40 pmt. The charterers were Rio Tinto who also took a number of vessels for this trade with freight prices ranging from \$16.20-\$16.50 pmt. Other notable concluded deals include ArcelorMittal taking the 2010-built MOL relet *Crystal Tiger* for 150,000 mtons 10% ore from Port Cartier to Qingdao at \$49.50 pmt, *Theodoros P* built 2011 for 170,000 mtons 10% from Saldanha Bay to Qingdao at \$27.45 pmt, and Vale taking *Royal Iole* for 170,000 mtons from Tubarao to Qingdao for late November dates at \$39.00 pmt. Little was reported in terms of coal, period or T/C fixtures.

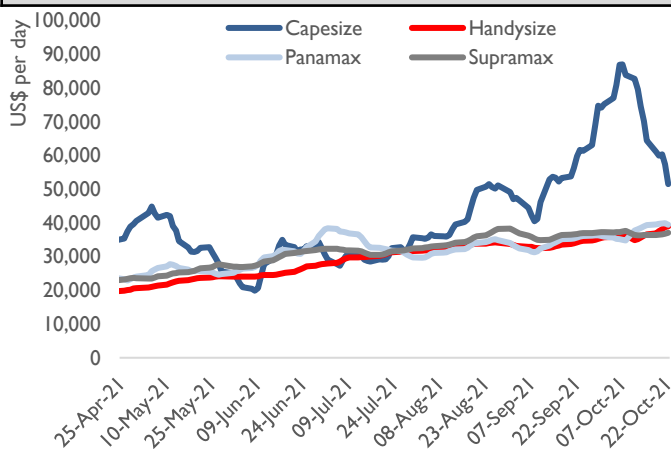
The **panamax** market continued to strengthen this week as it closed today at \$38,945 up by \$2,361 (6.45%) since last reported on 15th October. In the Pacific, *Zheng Run* (81,822-dwt, 2013) fixed delivery Tianjin 28<sup>th</sup> October for a trip via NoPac to Singapore-Japan range at \$39,000 whilst *Jal Kamadhenu* (84,914-dwt, 2020) fixed delivery Cai Lan 22-28 October for a trip via EC Australia redelivery India at \$42,500. In the Indian Ocean, *Astrea* (81,838-dwt, 2015) fixed delivery retro sailing Galle 17<sup>th</sup> October for a trip via EC South America to Singapore-Japan range at \$42,000 and *Comerge* covered *George H* (85,121-dwt, 2020) delivery retro sailing New Mangalore 14<sup>th</sup> October for a trip via EC South America to Singapore-Japan range at \$41,000. In the Atlantic, *Cargill* fixed *Golden Ioanari* (81,927-dwt, 2011) delivery ARAG 20<sup>th</sup> October for a trip via Baltic to Skaw-Gibraltar range at \$36,000, *Bangus* (82,388-dwt, 2020) fixed aps Santos 1/5 November for a trip to Singapore-Japan at \$36,000 + \$1,600,000 BB whilst *Star Rene* (Scrubber Fitted, 82,295-dwt, 2006) fixed aps US Gulf 1/10 November for a trip to China with grains at \$40,000 + \$2,000,000. Alternatively, *Bainbridge* took *SM Samcheonpo* (80,942-dwt, 2019) delivery Mormugao 1/15 November for 11-13 months with redelivery worldwide at \$33,000 whilst *Mina Shipping* Dubai took *Star Gwyneth* (Scrubber fitted, 82,790-dwt, 2006) delivery retro sailing Dhamra 16<sup>th</sup> October for about 9 months with redelivery worldwide at \$32,150. The *Kepeco* tanker was taken on a GNS Seoul TBN vessel for their 70,000 mtons 10% of coal from Balikpapan to Yongheung for 28 October/6 November at \$18.93 pmt.

Continuing its strong trend, the **supra** market is still rising and we expected to continue to see its growth in the next few weeks. Rates are pushing in the Atlantic and remaining firm in the Indian ocean. However, rates are softening in the Pacific basin. The BSI closed at \$39,421, up slightly from last week's \$39,333. In the Atlantic, *CMB Chikako* (61,299-dwt, 2014) was fixed for a trip delivery Veracruz via the US Gulf to Singapore-Japan range at a huge \$62,000. *Osiris* (53,589-dwt, 2004) was fixed for a prompt trip delivery Rio Grande to Algeria at \$42,000. In the Indian Ocean, *KM Jakarta* (63,406-dwt, 2018) was fixed for a prompt trip delivery Chittagong via Indonesia to China at \$38,000. *Kouju Lily* (58,872-dwt, 2011) was fixed for a prompt trip delivery Navlakhi via the AG to Bangladesh at \$47,000. In the Pacific, *Broad Glory* (52,415-dwt, 2006) was fixed for a prompt trip delivery CJK via Indonesia back to CJK at \$34,750. *Sheng An Hai* (56,564-dwt, 2012) was fixed for a trip delivery Singapore via Indonesia redelivery South China at \$41,500.

Positive sentiment across the board on the handies this week, the **BHSI** closed at \$37,033 up \$661 from last week. The Continent was firm with tonnage tightening, in the Mediterranean it was reported *Yangtze Ambition* (32,688-dwt, 2011) open Alexandria, fixed delivery Canakkale with steels to the US Gulf at \$39,000 with Western Bulk Carriers. It was the US Gulf that was driving the Atlantic forward, *Dragonera* (35,735-dwt, 2011) fixed from Norfolk for a trip to the Continent at \$34,000 with Lauritzen. *Montevideo* (34,939-dwt, 2011) open in the Mississippi River was fixed basis delivery when where ready for an inter-Caribbean trip at \$41,000 to ADM. A 38k-dwt vessel fixed delivery Galveston redelivery Dakar with sulphur at \$53,000 to Western Bulk Carriers. On the East coast, *Rostrum Europe* (40,003-dwt, 2021) open Port Canaveral end Oct fixed Savannah to Continent with woodpellets at \$42,000 to Norden. East coast South America has progressed slowly throughout the week and expect to see rates picking up. In the North, *Interlink Amenity* (38,640-dwt, 2018) open Barranquilla fixed a trip to the Continent with metcoke at \$43,000 to XO and in the South, *Strategic Alliance* (39,848-dwt, 2014) fixed delivery Santos to the Continent with an intended cargo of steels at \$40,000 to Weco. Across to Asia, the general sentiment is positive with tonnage in short supply, *New Optima* (39,042 2019) open Kaohsiung with prompt dates was fixed for a trip via Australia with redelivery South East Asia at \$34,000. *Interlink Ability* (38,683-dwt, 2015) open Valparaiso first half November was fixed for a trip to the Continent at \$33,000 to Conaval. A 28k-dwt open in South Korea has been fixed for a trip via China to Bahia Blanca at \$40,500.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Bangus	82,388	2020	Santos	1/5 Nov	Singapore-Japan	\$36,000	CNR	Plus \$1,600,000 bb
Star Rene	82,295	2006	US Gulf	1/10 Nov	China	\$40,000	CNR	Plus \$2,000,000 bb
Zheng Rong	81,793	2013	Samcheonpo	25/26 Oct	Singapore-Japan	\$41,000	CNR	Via NoPAC
Coral Opal	78,090	2012	Jorf Lasfar	PPT	Skaw-Gibraltar	\$35,000	Nordic	Via US East Coast & Sweden
Sakizaya Wisdom	76,457	2011	Longkou	21 Oct	Singapore-Japan	\$37,000	Ocean Base	Via NoPAC
CMB Chikako	61,299	2014	Veracruz	End Oct	Singapore-Japan	\$62,000	Meadway	Via US Gulf
Osiris	53,589	2004	Rio Grande	PPT	Algeria	\$42,000	CNR	
Broad Glory	52,415	2006	CJK	PPT	CJK	\$34,750	CNR	Via Indonesia
Strategic Alliance	39,848	2014	Santos	PPT	Continent	\$40,000	Weco	Via EC South America
Interlink Ability	38,683	2015	Valparaiso	1/15 Nov	Continent	\$33,000	Conaval	



Exchange Rates	This week	Last Week
JPY/USD	113.76	114.32
USD/EUR	1.1637	1.1602

Brent Oil Price	This week	Last Week
US\$/barrel	85.42	84.82

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	505.0	524.0
VLSFO	621.0	618.0
Rotterdam IFO	478.0	488.0
VLSFO	602.0	600.0

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### Dry Bulk S&P

Another good week for the dry S&P market especially in the mid size sectors, which has seen the majority of the activity this week.

In the Ultramax sector we saw the non eco *Kanoura* (61k-dwt, 2013 Iwagi) see a very firm price of \$28.4m showing an improvement on last done *Sailing Sky* (61k-dwt, 2014 Shin Kasado) which sold at the end of September for \$27.25 mill.

Korean Ship Finance have sold *WP Brave* (58k-dwt, 2012 SPP) for \$21.75m to undisclosed buyers. Similarly in their second sale this month Hong Kong based Sellers CE Line Holdings have sold *HTC Delta* (56k-dwt, 2014 Taizhou, Eco Engine) for \$21.5m. The exact sister *HTC Charlie* (56k-dwt, 2014 Taizhou) was reported sold at the beginning of this month to Middle Eastern buyers for \$20.45m basis DD passed showing another improvement in a seemingly ever increasing market. Commanding a premium over the Chinese built vessels we saw the Japanese built *Ikan Selayang* (56k-dwt, 2013 Mitsui) sold to undisclosed buyers for \$26.5m. The last Mitsui-56 type was the *Spring Hawk* (56k-dwt, 2010 Mitsui) earlier this month which sold for \$21.75m.

On the older tonnage, *Atlantic Yucatan* (55k-dwt, 2006 Kawasaki) has been sold for around \$17.25-17.5m to Chinese buyers. Despite being 3 years older than Nomikos' *Tesoro* (53k-dwt, 2007 Shanghai Shipyard) which sold 2 weeks ago for \$15.75m to Jinhui Shipping the *Pacific 08* (52k-dwt, 2004 Tsuneishi Tadotsu) has been committed at \$15.5m to Chinese buyers with delivery before mid-December.

In the Handy sector Greek based Owners Larus have sold their Brazilian built vessel *Kiveli* (38k-dwt, 2008 Ind. Verolme-Ishibras) for \$11m, buyers are currently unknown. Elsewhere, *Royal Justice* (37k-dwt, 2012 Saiki) is now committed in excess of \$21m to Asian buyers. Lastly, Imabari 28's are again proving they are still in demand with the sale of San-E Maritime's BWTS fitted *Queen Asia* (28k-dwt, 2011 Imabari) for \$15.5m. This is showing a slight increase on last done, *Amira Ilham* (28k-dwt, 2009 Shimanami Shipyard) which sold for \$13.5m earlier this month.

### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
WP Brave	58,627	2012	SPP	C 4x30T	undisclosed	\$21.75m	
HTC Delta	56,533	2014	Taizhou	C 4x35T	undisclosed	\$21.50m	Eco engine
Ikan Selayang	56,079	2013	Mitsui	C 4x30T	undisclosed	\$26.50m	
Atlantic Yucatan	55,863	2006	Kawasaki	C 4x31T	Chinese	\$17.40m	
Pacific 08	52,471	2004	Tsuneishi Tadotsu	C 4x31T	Chinese	\$15.50m	delivery in December
Kanoura	61,396	2013	Iwagi Zosen	C 4x31T	undisclosed	\$28.40m	
Stony Lake	45,269	1997	Jiangnan	C 4x30T	undisclosed	\$6.50m	
Kiveli	38,191	2008	Verolme-Ishibras	C 4x40T	undisclosed	\$11.00m	
Royal Justice	36,976	2012	Saiki HI	C 4x30T	Asian	\$21.20m	
Nordic Malmoe	35,843	2012	Nantong Jinghua	C 4x30T	undisclosed	\$16.00m	SS due January
Global Passion	33,686	2011	Shin Kochi	C 4x30T	undisclosed	\$17.50m	
Queen Asia	28,425	2011	Imabari	C 4x31T	undisclosed	\$15.50m	BWTS fitted

## Tanker Commentary

Korean owners STX Marine are rumoured to have sold a Hyundai Vinashin resale MR for \$38m with delivery scheduled in Q4 2022. The last similar modern tonnage to compare was reported last week, *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.

In the older product tanker sector, US based owners International Seaways have offloaded *Aiolos* (37,651-dwt, 2007 HMD, trading

DPP) for \$8m before her upcoming surveys in March, delivery is believed to be within 2021. The last done for this vintage tanker was the enbloc sale of *Skyros* (37,562-dwt, 2006 Hyundai Mipo) and *Sikinos* (37,620-dwt, 2006 Hyundai Mipo) which sold in May for \$10 mill each.

Finally the Ocean Tankers controlled *Tai Hu* (73k-dwt, 2007 New Century) called for offers this week, however no numbers have been mentioned. We expect to hear more next week.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Aiolos	37,651	2007	Hyundai Mipo	undisclosed	\$8.00m	

### Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Chemical Pioneer	35,489	1968	Bath Iron Works	TANK	12,269.00	undisclosed	Philadelphia
Sonangol Luanda	159,178	2000	Daewoo	TANK	23,192.00	587	Alang
Sonangol Girassol	159,057	2000	Daewoo	TANK	23,312.87	587	Alang
Aris	38,695	2001	Galati	TANK	11,442.00	undisclosed	UAE
Pelican	11,915	1999	Uwajima	TANK	4,234.00	942	KFK/Sri Lanka

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