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POINTS OF VIEW

The markets are all over the place, demonstrating not just a lack of conviction but an absence of market intelligence. We saw a huge sell-off in financial markets on Monday, followed by the same in shipping equities, and then a bounce-back on Tuesday. We could have done without that, it served no purpose. There is also no reason for shipping equities to be in lockstep with other securities as they are dancing to different beats right now. Financial markets are in fear of stagflation, the end of Covid stimulus, labour shortages, the end of furlough payments, the higher cost of borrowing, the lower net present value of future corporate earnings, rising energy costs, slower consumer spending, a real estate collapse in China, exported Chinese contagion, strong dollar threat to EM, more Covid variants, more lockdowns, and so on and so forth. It is a lot to worry about. Sure, shipping has its own issues, not least fear of a slowdown in China's steel production and raw material demand as its massive real estate sector is marched into obeisance of Xi Jinping's brutal Three Red Lines. This could kill the big bulk carrier sector were it not for elevated steel demand in the rest of the world as governments everywhere try to spend their way out of a crisis with job creating infrastructure and green energy transition projects. Ultimately, regardless of the changing patterns of dry bulk demand, limited foreseeable net new supply is shaping future freight rates. Shipping and the global economy are decoupling.

... Gas Panic ...



Source : Edvard Munch

What has tended to stop this from happening, to date, is that the larger universe of stock market investors wrongly correlate shipping with other things. For example, selling tanker companies when the oil price falls. Actually, seaborne oil trade tends to rise as traders buy on lower prices. In the 1980s, when Japan was to shipping demand what China is today, we had a rotten shipping market for almost the entire decade. In contrast, Japan's property and stock markets gained enormously over this period. The dry bulk market hit rock bottom in 1986 and started a tentative recovery from end 1987. Meanwhile, the Nikkei 225 kept on rising until hitting its peak closing of ¥38,916 on 29 Dec 1989. It then crashed and has never got remotely close to that level ever since. It is at around ¥28,000 today. Meanwhile, accommodative Bank of Japan and government policy saw Tokyo's real estate bubble peak in around 1987 when the Imperial Palace Gardens were said to exceed the value of all the real estate in California. That was a bubble in need of a pin, and it made more than a pop. So, where are we now, seeing as the shipping press was apoplectic about the BCI-5TC spot earnings exceeding \$80,000pd? On the futures, "Popped eyeballs and nosebleeds" was one headline after an 11% overnight gain in Oct BFA Cape on Tuesday to \$75,786pd. Yesterday, it fell 5% to \$73,807pd, today it's up 1.5% to \$74,929pd. Fundamentals do not change this much this quickly. Most shipping equity investors buy/sell in line with the BFAs as their guide to future earnings. They are blissfully unaware that the assessing brokers, good that they are in the face of mixed signals, are firmly anchored in the present: the spot market. They are not clairvoyant.

On Tuesday, the BCI-5TC rose to \$80,877pd, easily its highest level since index inception on 24 Feb 2014. The value of a 10-year old 180,000-dwt cape stands at \$35.0m today. SIN Long Run Timeseries data puts average cape spot earnings at \$72,821pd today, a calculation that takes into account changes in ship size and spec. The last time we passed that number was on 4 Dec 2009, at \$75,346pd, a few months after Lehman. Those people who were not around for the 2004-08 boom need to suspend their disbelief at current rates. It is not too late to repent. We had volatility back then too. In the 2004-08 period, the peak was on 6 Jun 2008 at \$218,955pd, the trough at \$2,535pd on 28 Nov 2008. Out of the 261 long-run index readings in 2004-08, 146 were below \$72,821pd, even in the boom times, while 115 were above it. One lesson we know well is that markets go up as well as down, and in a pattern and timing of their own choosing. Back on 4 Dec 2009, when long-run rates last passed \$72,821pd, a 10-year old cape was at \$44.0m, against \$35.0m now. What should we make of that? The BCI-5TC hit \$86,953pd yesterday before falling to \$83,865pd today, leaving us all guessing. Maybe we should cast off the shackles of the recent past and just start believing.**

*In the immediate aftermath of the collapse of Lehman Bros, earnings and values collapsed. Back then, values were coming off old highs, today they are seeking new highs, and values are lagging behind income.

**When cape rates peaked on 6 Jun 2008, at \$218,955pd, a 10-year old cape was assessed as being nominally worth \$113.0m. We clearly have a long way to go before earnings and values test those levels. Look out!

Dry Cargo Chartering

Another excellent week across the **cape** markets saw rates continue their upward trajectory before dipping as the week drew to a close. Overall the BCI 5TC closed at \$83,865 up by \$8,675 from last reported. Iron ore fixtures included Rio Tinto charting the 2016-built Jera relet *Navios Mars* for 170,000 mtons 10% from Dampier to Qingdao for 20/22 October at \$22.75 pmt as well as *Tradership* built 2006 relet from Ssangyong for the same trade at \$22.50 pmt. Coal fixtures included a Panocean TBN vessel being chartered for a 156,000 mtons 10% Kepcco tender from Gladstone to Taean for 22/31 October at \$25.85 pmt, as well as Vale taking a TBN vessel for 150,000 mtons 10% from Nacala to Kandla for 26 October/5 November at \$25.00 pmt. On Tuesday, it was rumoured that *Hero* (178,076-dwt, 2010) was fixed delivery Isdemir for a fronthaul trip via the Black Sea to Singapore-Japan range at a huge \$150,000. We also saw numerous period charters finalised over this week and last, among them Koch taking on the Mingwah relet *Great Qin* (175,800-dwt, 2010) delivery Tianjin for one year trading at \$33,000 with worldwide redelivery, and also the Safe Bulkers relet *Stelios Y* (180,000-dwt, 2012) fixing delivery Tokuyama at the end of this month for 36/40 months at \$24,500 with worldwide redelivery.

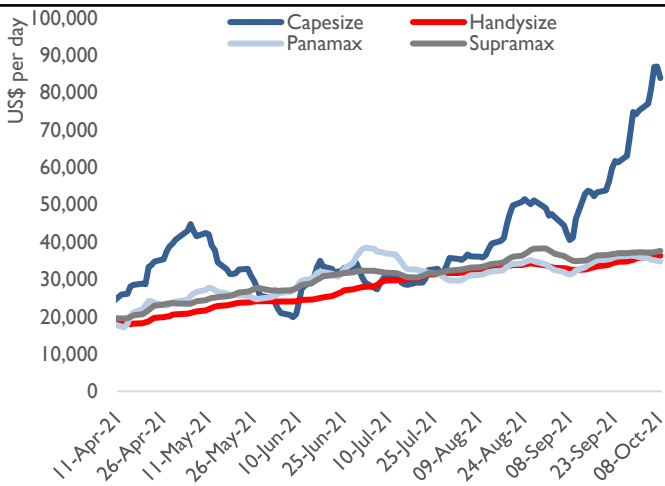
The **panamax** market continued to soften this week. The market closed today at \$34,794 down by \$1,135 (-3.15%) since last reported on 1st October. In the Pacific, the *Lia M* (84,094-dwt, 2013) was fixed retro sailing Incheon 3rd October for a trip via Australia to India at \$36,000 per day and the *Nord Capella* (81,944-dwt, 2014) was fixed delivery aps Indonesia 9th October for a trip to India at \$37,000 per day + \$100,000 BB. In the Indian, the *Axios* (81,960-dwt, 2017) was fixed retro sailing Haldia 1st/2nd October for a trip via EC South America back to Singapore-Japan range at \$37,750 per day. In the Atlantic, Cargill covered the *Corinna* (81,675-dwt, 2013) delivery Ghent 7th/8th October for a trip via Murmansk to Skaw-Gibraltar at \$28,000 per day whilst Flame took the *Shao Shan 5* (75,700-dwt, 2012) delivery US Gulf 20th October for a trip via Italy with redelivery Gibraltar at \$34,000 per day + \$475,000 BB. Alternatively, Kock Trading took the *Epiphania* (80,276-dwt, 2012) deliveru in direct continuation in North China mid-October for 4-6 months with redelivery worldwide at \$34,250 per day whilst ASL Bulk fixed the *Vincent Talisman* (81,577-dwt, 2020) a Koch relet basis delivery Nansha 7/10 October for 9-11 months with redelivery worldwide at \$33,000 per day. SAIL also took a TBN vessel for their 75,000 mtons 10% coal from Hay Point to Visakhapatnam for 21/30 October at \$35.30 pmt.

The supra market experienced a slight dip in the market while China was experiencing its Golden week. However, rates over the week in all regions are still holding strong with minor adjustments. And with China back in full force and operational, we can expect rates to continue to push with an upward trend, closing the week on a high note. BSI closed at \$37,585 down from last week's \$37,212. In the Atlantic, the *Jin Bo* (56,709-dwt, 2012) has been fixed for a trip carrying steels with delivery Antwerp and redelivery Turkey at \$34,500. While the *Market Cooper* (61,223-dwt, 2020) was fixed for a prompt trip carrying scraps with delivery Bremen and redelivery in the East Mediterranean region at \$41,000. In the Indian Ocean, *Good Luck* (51,097-dwt, 2002) was fixed for a trip with delivery Hambanbota and redelivery Busan via West Coast India at \$39,500. Also, the *Stellar Lady* (51,201-dwt, 2011) was fixed for a trip with delivery in the West Coast India region and redelivery around the US Gulf via The Arabian Gulf at \$40,000. In the Pacific, the *Hai Long* (56,083-dwt, 2007) was fixed for a prompt trip with delivery CJK and redelivery in China via Indonesia at \$32,000. While the *Bellina Colossus* (60,893-dwt, 2013) was fixed for a trip via Indonesia and redelivery China at around \$44,000-\$45,000.

The **BHSI** closed this week \$36,269 up \$500 from last week, despite holidays in Asia. The Continent was steady, *Chios Freedom* (35,626-dwt, 2015) fixed Norway for a trip to west coast South America with ferts low \$50,000's to Norden. Grain trips to west mediterranean paying in the middle 30's but little reported activity. A 40,000-dwt vessel fixed delivery ARAG range, redelivery east coast South America with ferts at \$39,000. In the Eastern Mediterranean a 31,000-dwt was fixed for a trip via the Black Sea to Brazil at \$37,000 and a 38,000-dwt fixed from the Black Sea to China with an intended cargo of Soda ash at \$60,500. The US Gulf remains strong with rates jumping, a 38,000-dwt fixed a trip from the Mississippi River to the Mediterranean with grains at \$35,000. This was up from last week when a similar trip was fixed at around \$28,000. East Cost South America softened somewhat but expect to see more cargo enetering the market next week, a 34,000-dwt fixing from Recalada to Kaliningrad with grains at \$34,000. *Fedra GR* (37,301-dwt, 2020) open Rio Grande was reportedly fixed/failed for a trip into US Gulf with steels at \$42,000. In South East Asia a 28,000-dwt vessel open in Thailand was fixed for a trip via Indonesia to Japan with Palm Kernel Expellers at \$29,000. The *Felicia K* (32,813-dwt, 2012) delivery South China fixed a trip redelivery US west coast with Steels at \$33,500 and 34,000-dwt vessel open South Korea reportedly fixed on subs via Australia redelivery Japan -South Korea range at \$33,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Kumano Hero	106,507	2008	Jinzhou	PPT	India	\$41,000	Allianz Bulk	Via North China
KM Singapore	80,559	2013	Tarragona	6/8 Oct	Italy	\$33,000	Cargill	Via Black Sea
Zheng Zhi	81,804	2013	Singapore	20 Sep	Singapore-Japan	\$34,500	Viterra	Via EC America
Omicron Atlas	76,554	2008	Busan	10/12 Oct	Singapore-Japan	\$36,000	Grain House	Via NoPAC
Shao Shan 5	75,700	2012	US Gulf	20 Oct	Gibraltar	\$34,000	Flame	Via Italy Plus \$475,000 bb
Market Cooper	61,223	2020	Bremen	PPT	East Mediterranean	\$41,000	EMR	Int Scrap
Trade	58,096	2011	Hamburg	2/6 Oct	US Gulf	\$36,750	CNR	
Hai Long	56,083	2007	CJK	PPT	China	\$32,000	CNR	Via Indonesia
Waal Confidence	33,387	2009	Mobile	PPT	Caribs	\$33,000	ADM	



Exchange Rates	This week	Last Week
JPY/USD	112.03	111.19
USD/EUR	1.1575	1.1603

Brent Oil Price	This week	Last Week
US\$/barrel	83.01	77.82

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	518.0	493.0
VLSFO	583.0	569.0
Rotterdam IFO	472.0	444.0
VLSFO	570.0	553.0

8 October 2021

Dry Bulk S&P

Chinese holidays often coincide with a reduction in activity across the S&P markets, however with earnings firm across the board there is a spread of sales to report. These sales offer an opportunity to look back to Q1 and beyond with sales of sister ships and ships being 'flipped' showing how far values have moved forwards.

Isle of Man based MX Bulk are reported to have sold a resale kamsarmax, *Vorana Manx* (82,000-dwt, 2021 Tsuneishi Zhoushan) for \$42.4m to clients of Primerose, Greece. The price achieved is significantly higher than the two resale sisters, sold by MX Bulk in January this year for \$29m each. Hong Kong based Buyers, Chellaram, are linked to the purchase of *Zephyrus* (81,981-dwt, YZJ) for \$36.5m. Two sister ships *Yangze 15* & *Yangze 16* were sold in March for \$26.5m each.

Smaller Chinese supramaxes are turning over again. Jinhui announced the purchase of *Tesoro* (53,350-dwt, 2007 Shanghai

Shipyards) for \$15.75, a step on last done *Spar Draco* (53,565-dwt, 2006 Chengxi) which achieved low \$14s at the end of August. *Silver Eagle* (50,337-dwt, 2003 Jiangnan) was purchased by Chinese Buyers right at the end of 2019 for around \$6m and has now been sold on for \$13.5m. It would be no surprise to see more units 'flipped' as some owners hedge their bets and take the large profits currently on offer.

Capesize charter earnings have been in the limelight as the indices rose sharply this week. Time charter earnings reached over 86,000 USD per day on Wednesday. The first time these levels have been seen since 2008. The index has taken a slight step back to close at \$83k. Cape earnings are the most volatile of the dry bulk sectors and S&P values have not responded immediately to the surge in earnings *True Endurance* (179,147-dwt, 2012 HHI) is reported sold with prompt delivery for \$33m, yes a step up on last done but not as dramatic as some may have expected.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
True Endurance	179,147	2012	Hyundai HI	Gearless	Beks	\$33.00m	Delivery October/November
Vorana Manx	82,000	2021	Tsuneishi Zhoushan	-	Primerose	\$42.20m	Tier III
Zephyrus	81,981	2019	Jiangsu Newyangzi	Gearless	Chellaram	\$36.50m	BWTS fitted
Ocean Ginger	75,735	2002	Sanoyas	Gearless	undisclosed	\$11.50m	TC attached at \$10k p/d until May 2022
Tesoro	53,350	2007	Shanghai Shipyards	C 4x36T	Jinhui	\$15.75m	
Silver Eagle	50,337	2003	Jiangnan	C 4x36T	Chinese	\$13.50m	
Gail	29,966	2011	New Century	C 4x30T	Chinese	\$13.00m	SS/DD due

Tanker Commentary

Greek interests have secured the latest LR2 from the Ocean Tankers fleet, with *Ocean Vela* (108,929-dwt, 2009 SVWS) achieving \$17.7m, a repeat of the last vessel sold, when Estoril Navigation paid the same price for *Ocean Pegasus* (109,926-dwt, 2009 SVWS) back in July.

The Japanese controlled *Ivy Express* (51,442-dwt, 2009 STX) has been sold for \$15m to unnamed buyers basis DD due, a notable step up against the last deepwell MR tanker sale; Astra purchased *Hellas Explorer* (51,246-dwt, 2008 STX) with surveys passed for \$12.8m in September. Elsewhere, Stealth Maritime have also been active in the MR segment last month with the purchase of the pumproom *Justice Express* (46,998-dwt, 2011 Shin Kurushima) for \$17.1m.

S&P activity on older MR's has slowed down in recent months, however Chinese buyers are reported to have purchased the IMO II rated *Stena Conqueror* (47,323-dwt, 2003 Uljanik, SS – 10/23, DD 10/21) for \$6.9m. For comparison the last similar aged deepwell to change hands was the Sovcomflot controlled *Hermitage Bridge* (47,880-dwt, 2003 Hyundai Mipo, SS – 05/23, DD – 11/21) at the beginning of June, which went for \$7.8m.

Finally we have one more Ocean Tanker sale making it into this weeks report. The BVTS fitted *Ocean Clover* (34,747-dwt, 2019 Fujian, IMO III) achieved \$18.5m with Chinese buyers believed to be behind the transaction - the first reported modern MRI to change hands this year.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Ocean Vela	108,929	2009	SVWS	Greek	\$17.70m	
Justice Victoria	74,902	2010	Minaminippon	Velos	\$17.30m	
Ivy Express	51,442	2009	STX	Spring Marine	\$15.00m	
Stena Conqueror	47,323	2003	Uljanik	Chinese	\$6.90m	DD due
Ocean Clover	34,747	2019	Fujian Mawei	Chinese	\$18.50m	Epoxy coated, BVTS fitted & IMO III

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Vladimir Velikiy	159,990	2002	Samho HI	TANK	24,850.00	590	Batam
Saga Wave	47,062	1991	Oshima	GEN	10,679.00	600	India
Tiina Too	9,103	1992	Imabari	TANK	2,762.00	955	India

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