05 November 2021

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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POINTS OF VIEW

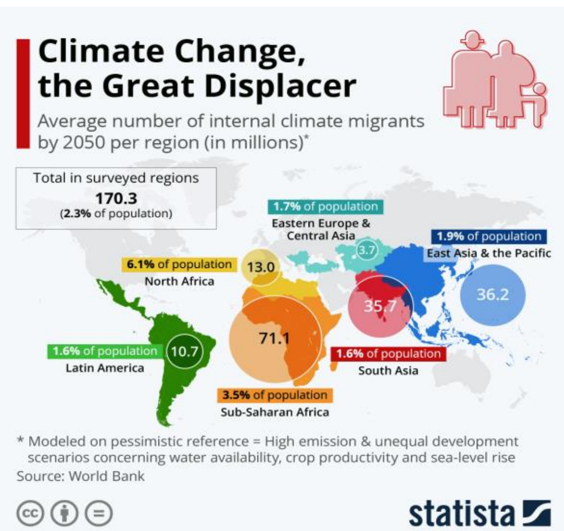
Nothing much is happening in tankers these days, apart from Euronav posting a $105m net loss for Q3 yesterday, but the bulk carrier sector has been in a blind panic all this week. The much watched BCI-5TC hit a decade high of $86,953pd on Oct 7, at the tail end of the Chinese Golden Week, or National Day, holidays. By today, it had retreated to $27,119pd, losing 69% in less than a month. Such big swings, of almost $60,000pd, in such a short time, can catch market players off side in physical and futures markets and cause large financial losses. It is unclear to what extent the futures market may have played an unduly influential role in undermining physical market sentiment, maybe a case of the tail wagging the dog. A headline in Tradewinds on Sep 29, when the BCI-5TC was at $74,786pd, read: “Capesize futures shoot for the moon but traders fear ‘brutal’ correction.” If a few large traders heavily sell the futures then a brutal correction can become a self-fulfilling prophesy, panicking real market players into taking cover at less than last done, causing a general stampede for the exit. Today’s reading of $27,119pd is still 91% higher than its $14,177pd reading of one year ago to the day. A little perspective goes a long way. Jefferies made the point this week that it is easier to sell shares than it is to sell ships, so the ships tend to hold their values better.

Randy Giveans made the point that the bulker companies under its coverage are now trading at 70-75% of their net asset value (NAV), down from a peak of 100-110% at the end of June. Even in the first week of October, Golden Week, that ended with the BCI-5TC hitting the ceiling, bulker stocks were trading at only 90-100% of NAV. Flighty investors, and ‘influential’ futures traders, are generating market volatility beyond what is likely warranted. The market sell-off comes just as these very same companies are revealing strong Q3 results with cash piling up on balance sheets.* There are indeed headwinds, most notably that China’s steel production is down 20% year-on-year. As the real estate sector is reined in, Australian and Brazilian iron ore imports were down 8% and 4% respectively in October, while lower iron ore prices have seen China’s stockpiles return to early 2019 levels of 140mt. The NDRC is keen to ensure blue skies for the Feb/Mar 2022 Winter Olympics and is therefore willing to curtail steelmaking, mining and manufacturing at the margin. It wants to reduce speculation and excess to make it clear to the people that it is serious about its drive for common prosperity. We are also heading into the seasonally weaker Q1 when wet weather in Brazil and cyclones in Australia upset mining, rail, trucking and port operations.

These tailwinds appear to be a lot to worry about, but they are also almost entirely China-centric. The US and rest of the world are making a larger than usual contribution to overall shipping demand as we emerge from lockdowns. The global energy crisis has increased the call on coal and, last week, coal exports from Australia and Indonesia were up 23% and 21% respectively. Port congestion is a double-edged sword but it is still providing freight support as ships are held up in delays from supply chain disruption, Covid-related issues, quarantine and a shortage of port workers from pilots to drivers. The macro supply and demand numbers are also supportive according to data from CRS/SIN covering the 3-year period from end 2019 to end 2022. These dates may bookend and contain the most substantial quantum of damage and recovery from the pandemic years. On the supply side, the dry bulk fleet is forecast to rise 80mt, or 9.1%, from 878 to 958mt-dwt while dry bulk trade is forecast to rise 2,222btm, or 8.2%, from 27,019 to 29,241btm. This almost synchronised growth in supply and demand in the three years to the end of next year is rate positive after factoring in fleet inefficiencies. After 2022, the signs remain good as the best shipyards are chock full of containerships and LNG carriers while newbuilding prices, driven up by the cost of steel and other inputs, are too high in comparison to second-hand.

From 2023, new IMO rules, reinforced by global efforts at the political level to decarbonise, will cause more scrapping, lower engine outputs, slower speeds and reduced emissions. Historically low bulk carrier orderbooks, combined with the introduction of mandated ship inefficiencies, will allow demand growth to shine.^

… Climate Disruption …



Source : Statista / World Bank

*3Q21 vs 3Q20 net profits (latter in brackets):

Eagle : $78.3m (-$11.2m)
Genco : $57.1m (-$21.1m)
Safe : $55.4m ($3.3m)
GoodBulk : $32.0m (-$1.2m)
Seanergy : $20.1m ($3.6m)

^All this without denting, in the near-medium term, demand for coal (and oil, gas and LNG). Cop26, might better be termed ‘Cop Out’.

The Coal Deal does not include Australia, China, India or the US which account for c. 50% of the world’s extant coal-fired plants.

Signatories have pledged to phase out coal by the 2030s for OECD or by the 2040s for non-OECD “or as soon as possible thereafter”.

WEEKLY COMMENTARY

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

The **BDI** closed this week at 2,715 points, dropping by 804 points from last week.

A further decline was seen across the **cape** market before it seemingly bottomed out as the week drew to an end. The BCI 5TC ended up at $27,199, down $8,866 from our previous report. Average rates for the usual Tubarao-Qingdao route dropped throughout the week ending up at around $24.60 pmt, while Western Australia-Qingdao rallied slightly today to finish up just below $11.00 pmt. Iron ore voyage fixtures included FMG taking the Thenamaris relet *Sealeader II* on Tuesday for 160,000 mtons 10% from Port Hedland to Qingdao for 17/19 November at $12.25 pmt, and Bao Asia chartering *Cape Asia* the Wah Kwong relet for 170,000 mtons from West Australia to China at $11.80 pmt. Rio Tinto took their usual selection of vessels for the Dampier-Qingdao route with freight prices ranging from $12.45 pmt to $11.20 pmt for their 170,000 mtons 10% shipments, all for mid-November dates. Reported this week in terms of coal fixtures, we saw a Ssangyong TBN vessel win a 140,000 mtons 10% Kepco tender from Newcastle to Dangjin for 17/21 November at $15.97 pmt, while a Panocean TBN vessel was put forward for 150,000 mtons 10% from Gladstone to Youngheung for 15/24 November at $13.94 pmt, again for a Kepco tender. Additionally, an Oldendorff vessel was linked with 150,000 mtons 10% from RBCT to Visakhapatnam for 10/19 November at $16.85 pmt. On the time-charter front, *Genco Constantine* (180,183-dwt, 2008) fixed delivery Yosu for a prompt trip via Gladstone redelivery South Korea at $29,000.

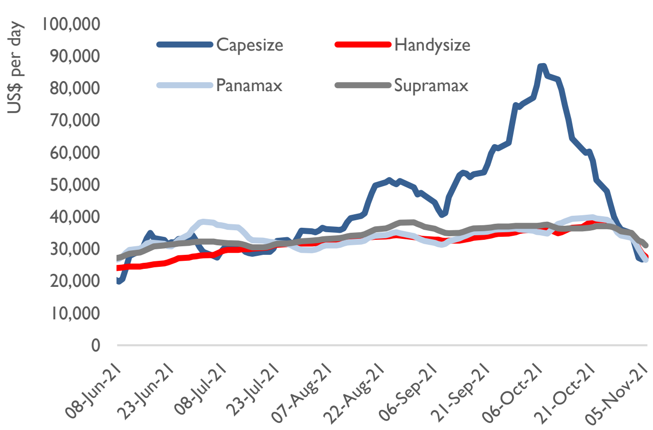
A poor week for the **panamax** sector across the board. The BPI closed this week at $27,641 down $7,420 from last week. In the Atlantic, *Coral Topaz* (76,598-dwt, 2007) fixed a trip delivery San Ciprian via north coast of South America giving redelivery Skaw-Gibraltar range at $33,000 to Bunge. *RB Ariana* (81,346-dwt, 2017) fixed delivery Up River Plate for a trip redelivery Skaw-Mediterranean range to $42,000 Oldendorff while the *Tuo Fu 8* (81,721-dwt, 2013) ixed delivery east coast South America for a fronthaul trip redelivery Singapore-Japan range $33,500 + $1,350,000 ballast bonus with Bunge. In Asia, *Tramontana (*93,247-dwt, 2011) fixed delivery Taichung for a trip via Indonesia redelivery Taiwan at $28,000 to U-Ming. Louis Dreyfus fixed *Nikolas XL* (82,379-dwt, 2006) delivery passing Yosu for a trip via North Pacific redelivery Singapore-Japan range at $29,500 and *Theresa Shandong* (81,911-dwt, 2012) fixed delivery Mariveles for a trip via Indonesia redelivery Philippines at $35,000 with D'Amico. Little reported period activity.

Rates have seen a sharp dip in the **supra** market with rates softening in all regions with pacific market taking the biggest brunt. However, Atlantic market still remains strong after the re-adjustments. BSI closed at $26,580, down from last week's $34,147. In the Atlantic, the *SFL Sara* (56,589-dwt, 2011) was fixed for a trip with intention concentrates with delivery San Antonio, Chile and redelivery in the Far East Region at $44,000. Also, *Nautical Georgia* (63,435-dwt, 2017) fixed for a grain run with delivery South-West Pass and redelivery East Coast Mexico at $40,000. In the Indian Ocean, *Jabal Harim* (63,277-dwt, 2016) fixed for a trip carrying salt with delivery Navlakhi and redelivery China via West Coast India at $32,000. *Skywalker* (63,056-dwt, 2015) rumoured to have been fixed for a trip with delivery Colombo and redelivery in the Far East Region via South Africa at $36,000. In the Pacific, *Federal Cardinal* (57,995-dwt, 2015) fixed for a prompt trip carrying fertilisers with delivery Tianjin and delivery West Coast Central America at $27,000. While *Kibali* (57,260-dwt, 2011) fixed for a prompt trip with delivery Tianjin and redelivery Continent at $22,000 for the first 60 days and $30,000 thereafter.

The **handy** market alongside the rest of the Dry Bulk sector suffered setbacks as the market dropped quickly and significantly. The BHSI closed at $31,074 down $4,413 from last Friday. The Continent slipped downhill rapidly, grain trips to Algeria were fixed at sub $30,000 on 28,0000-dwt tonnage. *Bernis* (34,627-dwt, 2011) open Skikda fixed Annaba for a trip to east coast South America with Fertilizers at $33,000. At the start of the week, a Namura 34k vessel was fixed from the Black Sea to the US Gulf with steels at between $34-$35,000. Intra-med fixtures were being reported at $30,000. The US Gulf overall held it's ground somewhat, *Pola Ariake* (38,595-dwt, 2019) fixed delivery Mobile redelivery Ireland at $37,000 with Lauritzen. *Weco Karoline* (38,905-dwt, 2020) fixed delivery Norfolk for a prompt trip redelivery Tunisia at $35,000 to Perdue. On the north coast of South America, *Strategic Equity* (39,880-dwt, 2014) fixed delivery Fortaleza via north Brazil redelivery United states east coast at $37,500 and further south, *Ishizuchi Star* (37,637-dwt, 2017) open Vitoria fixed a trans-Atlantic trip to Continent-Mediterranean range at $36,000. The Asian markets dropped like a stone with rates close to halving in many areas. *Bronco* (28,220-dwt, 2014) was fixed basis delivery North Vietnam with prompt dates via South Australia to Chennai / Lumut range at $25,750. *Yangtze Grace* (32,500-dwt, 2012) open in Weifang fixed and failed for a trip via East Coast Australia to Japan with sugar at $21,000. A 32,000-dwt open China fixed via CIS redelivery China at $17,000 and *DL Oilive* (35,194-dwt, 2013) open Cigading fixed a trip via Indonesia to China at $22,000. *IVS Magpie* (28,240-dwt, 2011) Open Tanjung Priok fixed a trip via Indonesia, redelivery Japan at $26,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Genco Constantine	180,183	2008	Yosu	9 Nov	South Korea	$29,000	CNR	Via Gladstone
Peace Ark	93,249	2010	Taichung	8 Nov	South Korea	$23,000	Panocean	Via Indonesia
Tuo Fu 8	81,721	2013	EC South America	15/20 Nov	Singapore-Japan	$33,500	Bunge	Plus $1,350,000 bb
RB Ariana	81,346	2017	Up River Plate	16/18 Nov	Skaw-Mediterranean	$42,000	Oldendorff	
Lady I	75,356	2007	Zhoushan	30/31 Oct	Singapore-Japan	$29,500	Cofoc Agri	Via NoPAC
Federal Cardinal	57,995	2015	Tianjin	PPT	WC Central America	$27,000	CNR	Int Fertiliser
SFL Sara	56,589	2011	San Antonio	1 Nov	Far East	$44,000	CNR	Int Concentrates
LMZ Ariel	56,418	2012	North Brazil	PPT	Algeria	$43,000	CNR	
Pola Ariake	38,595	2019	Mobile	PPT	Ireland	$37,000	Lauritzen	
Bronco	28,220	2014	North Vietnam	PPT	Chennai-lumut	$25,750	CNR	Via South Australia



Exchange Rates	This week	Last Week
JPY/USD	113.60	113.75
USD/EUR	1.1527	1.1652

Brent Oil Price	This week	Last Week
US$/barrel	82.41	84.66

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	465.0	469.0
VLSFO	612.0	615.0
Rotterdam IFO	433.0	456.0
VLSFO	568.0	592.0

Dry Bulk S&P

The spot market and FFAs fell at the start of the week and Diwali holidays have coincided with fewer sales, however the sales we are reporting fall in line with similar units sold recently.

In the cape sector, rumours surround SWS cape *Bao May* (178,055-dwt, 2010 SWS) with suggestions she was tied up for $31.5m with prompt delivery however at the time of going to press these are unconfirmed. Last week the Chinese Owned *Cape Spring* (180k-dwt,2011 Qingdao) was reported sold for $30m with later delivery. Illustrating prompt deliveries (with the cape index sitting at US$27k today) can demand a premium over those that will deliver early next year.

There was much debate around the final sale price of the 'eco' Kamsarmax, *Majulah Harbourfront* (81,922-dwt, 2014 Tsuneishi Zhoushan) with conflicting reports ranging from $29.5m to $31m. The latest we have heard is the top end of this range which puts her in line with last sister done *Lena B* (82k dwt, 2017 Tsuneishi) which sold mid last month for $35 mill to Vietnamese Owners Hoa Phat Group. It seems Eco Kamsarmax's are still hot property.

Having withdrawn the vessel from the market back in mid-October Hong Kong based Owners CE Line Holdings re invited offers on their supramax, *HTC Delta* (56k-dwt, 2014 Taizhou) which we now understand sold for $20.5m. Back at the beginning of October they sold the sister vessel *HTC Charlie* (56k-dwt, 2014 Taizhou) for $20.45m showing that despite the significant drops in the rates the second hand prices have not yet followed.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Majulah Harbourfront	81,922	2014	Tsuneishi Zhoushan	Gearless	Far Eastern	$31.00m	
Shandong Chong Wen	76,098	2011	Hudong-Zhonghua	Gearless	Chinese	$19.64m	Auction
HTC Delta	56,533	2014	Taizhou Sanfu	C 4x35 T	undisclosed	$20.50m	

HARTLAND
SHIPPING SERVICES

Tanker Commentary

Product tanker earnings have provided some long awaited cheer in the Atlantic this week with signs of cautious optimism as we approach the winter months. Earnings and cargo volumes have both appreciated with MR fixtures being reported in excess of US$15k per day. Sale and purchase activity remains lukewarm at best however one would expect this to change quickly if earnings hold firm.

The Japanese controlled *Iris Victoria* (74k-dwt, 2010 Minaminippon) has been sold this week in the low $17m, however no buyer has been mentioned. This is in line with an LR1 that was sold last month, when the sister ship *Justice Victoria* (75k-dwt, 2010 Minaminippon) was snapped up by Velos Tankers for $17.3m. Both vessels had similar survey positions, with dry dock due in 2023.

The clear out of the Ocean Tankers fleet continues, with *Tai Hu* (73k-dwt, 2007 New Century) changing hands for $10.5m with surveys due August 2022. The last Chinese built LR1's were sold back in May – also from the Ocean Tankers stable – with *Hong Ze Hu* (74k-dwt, 2007 New Century) and *Dong Ting Hu* (74k-dwt, 2007 New Century) being offloaded in an enbloc deal for $9.65m per vessel. All had similar survey positions, however it could be argued that this week's sale is in line with the enbloc transaction in May, assuming there was a discount for taking two vessels.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Iris Victoria	74,905	2010	Minaminippon	undisclosed	$17.00m	Epoxy coated
Tai Hu	73,980	2007	New Century	undisclosed	$10.50m	
Chemstar Jewel	21,313	2012	Asakawa Zosen	UK based	-	Stainless Steel

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