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## Inflation Hits 31-Year High - How Bad Is It Really?

Year-over-year change in the Consumer Price Index for All Urban Consumers in the U.S.\*



\* not seasonally adjusted

\*\* average annual increase of the CPI-U over the previous three years

Source: Bureau of Labor Statistics



statista

Source : Statista

<sup>1</sup>In July last year, the state council issued new rules barring for-profit companies tutoring in core curriculum subjects, and banned foreign investment. Some listed tutors saw their share prices fall up to 60%.

\*Bloomberg estimated that, nine months after the Ant IPO was suspended on 2 November 2020, Jack Ma's wealth declined by \$13.2bn and Pony Ma was \$13.8bn worse off.

### POINTS OF VIEW

On the BBC's flagship Today radio programme, the presenters are always dismissive of the weather, summing it up in just a few words, as if meteorology is beneath them. If we were to do the same for the shipping markets it would be: bulkers lower, tankers higher, containers flat. But, as with the weather, it leaves us a little short of colour. And it is certainly not beneath us trying to work out what is going on in our increasingly volatile markets. This volatility, at least in dry bulk, may be amplified by the size of the derivatives market and by the type of investor. At a recent Baltic FFA conference in Geneva, Freight Investor Services said that the volume of FFAs traded this year is on track for 6.25 billion tonnes, twice the size of the physical market upon which it is based. This compares to 3.5bt traded in pre-pandemic 2019 at a value of \$21.9bn. 2021 is proving to be the best physical and futures dry bulk market since 2008, when it achieved dizzying heights before a spectacular collapse, with the notional dry bulk FFA market then valued at in excess of \$120bn at its peak. Apart from traditional, usually hedging, users (such as Cargill, COFCO and Swiss Marine), FIS estimated that hedge funds and other financial institutions make up 35-40% of FFA traders. They trade the volatility as well as adding welcome depth to market liquidity.

Since the beginning of 2020, when Covid entered our lives, shipping markets have been in turmoil. Bulkers and containers have done well, but tankers have suffered a peak to trough drop in total global oil demand of 9%, even as the tanker fleet continued to expand. Latest Baltic BSPA readings suggest that 5-year old bulk carriers have risen in value by on average 52% since the start of last year compared with a 5% average decline in same age tankers. 5-year old container feeders (1,000-teu to 2,750-teu range) have risen 125% to an average value of \$36m from \$16m over the same period, while a 5-year old 10,000-teu vessel rose 133% to \$140m from \$60m. Despite very low and often negative earnings, tanker values have been edging up this year with a 5-year old Aframax tanker being the only segment to have risen above its start 2020 value: \$40.4m now versus \$40.2m then. A rate recovery was predicted for Q4, and although we are only half way through the final quarter, this is being borne out in daily spot earnings. A VLCC is averaging \$14,834 in Q4 vs \$7,739 in Q3; Suezmax is at \$15,427 after \$7,500; Aframax is at \$14,607 vs \$6,853 and, finally, an MR is at \$10,321 after \$9,689 in Q3. COT earnings are rising just as we move into northern hemisphere winter.

In contrast, bulk carriers have seen a sharp reversal in fortunes, led by the biggest ships, a decline that accelerated in November after a strong October. Cape daily spot earnings at the Q4 midpoint were at \$51,410 after averaging \$41,687 in Q3. For Kamsarmax it was \$33,948 vs \$31,539; Ultramax \$30,429 vs \$30,563 and Handysize \$34,530 vs \$31,921. This week, spot earnings have continued to fall which will bring down the Q4 averages, but current rates are still well above the long-term readings. Container rates are still strong with 6-12m daily TC rates for an 8,500-teu intermediate at \$130,857 midway through Q4 vs \$114,000 in Q3. A 2,750-teu large feeder is at \$77,357 vs \$63,885 while a 1,700-teu workhorse is at \$53,429 vs \$44,692. Even a 1,000-teu unit is at \$38,786 in Q4 vs \$33,404 in Q3. A correction will come, and it is likely to be disruptive given the explosive nature of the gains, and pain will be inflicted on those left on the wrong side of it.

The tanker recovery is dependent upon the restoration of pre-pandemic demand of 100m-bpd in 2022 and forecast annual growth of 1% from 2023. Bulkers and containers depend upon reviving consumption boosting upstream raw materials trade and downstream manufacturing and distribution activity. We need look no further than China for the current induced correction in commodity prices and freight rates. Pollution is being tackled, real estate speculation is being punished, excess leverage is being unwound, egregious wealth is being taxed, gambling and gaming outlawed, exceptionalism banished,<sup>1</sup> levelling up promoted and the wealth gap being closed in pursuit of common prosperity. Jack Ma of Alibaba and Pony Ma of Tencent know the cost of falling into line with the state. It involves watching helplessly as one's net worth falls by billions.\* We face another four months of demand suppression before China hits the growth accelerator again

## Dry Cargo Chartering

The **BDI** closed this week at 2,552 points, down by 255 points from last week.

Another highly volatile week across the **cape** markets saw rates dip down before picking up again mid-week. The BCI STC ended up at \$29,938, down \$1,873 from our previous report. Plenty of Kepco coal tenders were covered this week, including a KLC TBN vessel for 130,000 mtons 10% from Newcastle to Taean for 30 November/10 December at \$16.55 pmt, a KSC TBN vessel for 160,000 mtons 10% from Gladstone to Youngheung for early December at \$12.70 pmt, and another KSC TBN vessel for 150,000 mtons 10% from Newcastle to Youngheung again for early December at \$15.20 pmt. On the iron ore side of things, Rio Tinto took their usual selection of tonnage for Dampier-Qingdao shipments with freight prices for 170,000 mtons ranging from \$10.50 pmt to \$12.45 pmt, with the latter higher prices seen at the beginning of the week. Also Vale chartered the 2004-built *Stamatis* for 190,000 mtons 10% for their Tubarao-Qingdao route from 9 December onwards at \$23.45 pmt. Average freight rates for this route ended the week on a positive at just over \$26.00 pmt. The same charterers also took an unnamed vessel for 170,000 mtons 10% from Teluk Rubiah to Qingdao at \$8.80 pmt for 1/3 December. Once again, there was a lack of time-charter fixtures reported.

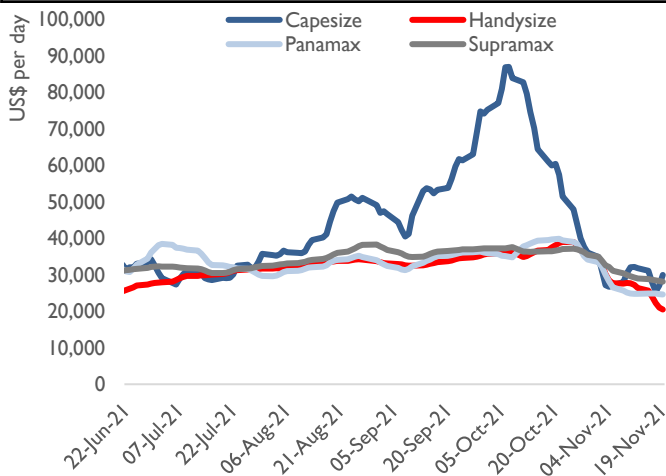
The **panamax** market continued to collapse as paper finally caught up with spot trading levels as it closed today at \$20,535 down by \$5,835 (-22.12%) since last reported on 12th November. In the Pacific, Bunge took *Star Laura* (82,192-dwt, 2006, scrubber fitted) delivery retro Singapore 9<sup>th</sup> November for a trip via EC South America & Iran with redelivery PMO at \$23,000, Jera fixed *Shail Al Wajbah* (76,633-dwt, 2005) delivery Yeosu 21/22 November for a trip via NoPac with redelivery Singapore-Japan at \$16,000 and *Shandong Peng Cheng* (82,154-dwt, 2010) was covered delivery Kawasaki 20/21 November for a trip via US Gulf to China at \$22,850. In the Indian, Cofco Agri fixed *Star Topaz* (82,044-dwt, 2019) delivery retro Gangavaram 11<sup>th</sup> November for a trip via EC South America to SE Asia at \$20,000 whilst Comerge took *Star Nadziye* (82,083-dwt, 2019) delivery PMO 25/30 November for a trip via Black Sea to Singapore-Japan at \$21,000. In the Atlantic, Cardinal fixed *Alexandria* (82,852-dwt, 2012) delivery Safi 19/23 November for a trip via EC South America to Continent at \$21,500 whilst Nordic took *Ultra Cougar* (81,922-dwt, 2015) delivery Ghent 19/20 November for a trip via Murmansk to ARA at \$30,000 with scrubber benefit to the charterers. Alternatively, Raffles fixed *Oinoussian Vigour* (82,167-dwt, 2010) delivery Kaohsiung 23/26 November for a trip via Indonesia with an option for 2 laden legs for redelivery Singapore-Japan range at \$14,000. SAIL covered a TBN vessel for 75,000 mtons 10% of coal loading Dalrymple Bay 11/20 December and discharging in Visakhapatnam at \$21.55 pmt.

The **supra** market has stabilised after the significant dip seen over the past few weeks. Rates in Pacific are stagnant while rates in the Indian Ocean have experienced another slight dip. Atlantic rates still remain rather firm. The BSI closed at \$24,603, down a fraction from last week's \$24,783. In the Atlantic, *Spar Pyxis* (63,800-dwt, 2015) was rumoured to have been fixed for a trip carrying woodpellets with delivery US East coast to the Continent at \$38,000. *Magda P* (57,052-dwt, 2010) open Douala was fixed for a trip via Takoradi redelivery in the Black Sea at \$25,000. In the Indian Ocean, *Kiran Istanbul* (63,610-dwt, 2013) was fixed for a prompt trip delivery West coast India to South East Asia at \$31,000. *NS Dalian* (57,001-dwt, 2010) was fixed for a trip delivery Kuwait via the Arabian Gulf to Bangladesh at \$27,000. In the Pacific, *Shine Forever* (58,758-dwt, 2007) open Zhoushan was fixed for a trip with redelivery in South Korea at \$16,000. While *Mariner* (57,783-dwt, 2009) open Zhangjiang was fixed for a trip via Indonesia to West coast India at a low \$11,500.

The **BHSI** closed this week at \$28,090 dropping \$946 from last week's \$29,036. The overview of the Atlantic is that the market will remain flat until the new year, while the negative sentiment is easing in the Asian markets with areas potentially finding the bottom. The Continent was stable and positive in parts. The start of the week had a 32,000-dwt vessel open United Kingdom fixed via the Baltic giving redelivery in the West Mediterranean with grains at \$35,000. Owners saw rates in the low 30's for intra-Continent deals, picking up from last week. The Mediterranean was slow, with limited options leaving operators little choice but to nominate their own tonnage. Intra-Med trips were being fixed at just under \$30,000. In Morocco, a 38,000-dwt fixed a trip via South Spain to Denmark at around \$25,500. The US Gulf continued to soften despite the increase in forward cargoes being booked for the end of Q4. *Erna Oldendorff* (38,330-dwt, 2016) failed on subjects for a trip from the US Gulf to UK-Continent with woodpellets at \$26,500. *Leap Heart* (28,383-dwt, 2012) fixed delivery South-West passage to the Philippines with agriprods at \$33,000, while *Amber Star* (37,692-dwt, 2017) fixed US Gulf into the Caribbean also with agriprods at \$32,000. In southern parts of Brazil and Argentina the market is firmer. *Mountpark* (37,510-dwt, 2016) was fixed on subjects for a trip from Rio Grande to Santos at \$47,000. In the northern parts of Brazil, the market was levelling out as some charterers looked for cheaper tonnage further afield. *Musky* (35,954-dwt, 2014) fixed a trip from North coast South America to Jacksonville with coal at \$28,000 to Pioneer. In Asia, the market continues to soften with a lack of enquiry still causing a build-up of prompt tonnage. A 37,000-dwt vessel open in South Korea was said to have been fixed for a trip via CIS back to South Korea at \$17,000. *Inase* (28,429-dwt, 2008) fixed for a trip from Surabaya via South East Asia to East coast India at \$24,000, and a 38,000-dwt vessel open in Thailand fixed for a trip to Japan with gypsum in the high \$19,000's.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Star Aphrodite	91,827	2011	Mizushima	13 Nov	Japan	\$20,500	Jera	Via NoPAC
Alexandra	82,852	2012	Safi	19/23 Nov	Continent	\$21,500	Cardinal	Via EC South America
Yangtze Xing Hua	81,678	2012	Nordenham	17 Nov	Skaw-Gibraltar	\$30,000	CNR	Via Baltic
Palona	81,675	2014	Port Talbot	20/24 Nov	Singapore-Japan	\$32,000	CNR	Via US Gulf
Shail Al Wajbah	76,633	2005	Yeosu	21/22 Nov	Singapore-Japan	\$16,000	Jera	Via NoPAC
Kiran Istanbul	63,610	2013	WC India	PPT	South East Asia	\$31,000	CNR	
Alonissos	57,155	2010	Port Elizabeth	PPT	Singapore-Japan	\$24,500	Allianz	Int Manganese Ore Plus \$1,450,000 bb
NS Dalian	57,001	2010	Kuwait	18 Nov	Bangladesh	\$27,000	CNR	Via ARAG
Drawno	39,092	2018	USEC	PPT	UK-Continent	\$29,000	Norden	Int Woodpellet
Amber Star	37,692	2017	USG	PPT	Caribbean	\$32,000	The Rice Company	Int Agris



Exchange Rates	This week	Last Week
JPY/USD	113.94	114.04
USD/EUR	1.1314	1.1447

Brent Oil Price	This week	Last Week
US\$/barrel	79.27	81.74

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	460.0	467.0
VLSFO	613.0	631.0
Rotterdam IFO	430.0	437.0
VLSFO	563.0	577.0

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### Dry Bulk S&P

After some dramatic falls in both physical and paper markets some players are taking stock while others are taking a chance to pick ships up at significant discounts to last done and are testing the resolve of sellers.

A tier III cape resale from Namura, delivering March 2022 took offers and saw interest from a range of Buyers, we understand she is committed to Hong Kong based Ocean Longevity around \$58m.

Box shaped supramax *Cherry Dream* (51,703-dwt, 2011 Oshima) took offers and we understand is committed in the high 17s a significant step down on *Teizan* (50,448-dwt, 2011 Oshima) which was tied up in September for around \$21m.

*Royal Justice* (36,976-dwt, 2012 Saiki) was tied up two weeks ago at 21.2m to Far Eastern Buyers who failed to perform. We understand Greeks, Frangoulis, have now committed her at \$18.5m.

The Japanese owned post panamax *Bunji* (98,704-dwt, 2013 Tsuneishi Zhoushan) is reported sold to Oldendorff for around \$23m in line with the price the same age, slightly smaller *Harvest Sky* (95,717-dwt, 2013 Imabari) achieved in August this year.

### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Bunji	98,704	2013	Tsuneishi Zhoushan	Gearless	Oldendorff	\$23.00m - \$24.00m	
SM Aurora	81,970	2012	Jiangsu Eastern	Gearless	Chinese	\$21.00m	
Nord Colorado	60,365	2018	Oshima	C 4x30T	undisclosed	\$31.50m	Q1 delivery, Scrubber fitted
Cherry Dream	51,703	2011	Oshima	C 4x30T	undisclosed	\$17.80m	Box Shaped
Dry Beam Neo	38,180	2019	Shin Kochi	C 4x30T	Greek	\$60.00m enbloc	
Fragrant Athena	38,131	2020					
Royal Justice	36,976	2012	Saiki HI	C 4x30T	Frangoulis	\$18.50m	

## Tanker Commentary

This week there is certainly more to talk about on tankers than weeks gone by, with a higher number of sales perhaps an indicator that sentiment is starting to swing.

In a sector with very little recent liquidity, the modern aframax *Antonis* (113k-dwt, 2017 Daehan) has been sold to undisclosed interests for \$44.5m. To compare, the last pure afras sold were ex *Leopard* and *Lion* (114k-dwt, 2021 Hanjin Hi) which were sold back in July for \$55m each. Prices remain therefore in line with last done with not much movement yet.

Elsewhere in the crude market, a brace of suezmax have changed hands. *Astro Perseus* (159k-dwt, 2004 Hyundai Hi) has been sold for \$18.5m and *Seaways Saugerties* (162k-dwt, 2006 Daewoo) for a price of \$21.8m. Buyers on both are yet to be identified.

In the smaller segments, the MRI *Seaways Bodie* (37k-dwt, 2006 Hyundai Mipo) has been committed to undisclosed interests at \$7.6m. The price is in line with sister ship *Aiolos* (37k-dwt, 2007 Hyundai Mipo) which we reported at the end of October which achieved \$8m.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Seaways Saugerties	162,293	2006	Daewoo	undisclosed	\$21.80m	
Antonis	113,563	2017	Daehan	undisclosed	\$44.50m	
Astro Perseus	159,116	2004	Hyundai HI	undisclosed	\$18.50m	
Seaways Bodie	37,627	2006	Hyundai Mipo	undisclosed	\$7.60m	
Wawasan Ruby	19,957	2010	Usuki	undisclosed	\$14.00m	
Easterly AS Olivia	19,981	2007	Usuki	Womar	\$11.00m	

### Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Etc Mena	107,181	2001	Imabari	TANK	16,696.00	630-635	Singapore
D&K I	47,262	1998	Onomichi	TANK	9,212.00	640	Colombo
Banyan Pride	37,808	2002	Guangzhou	TANK	9,344.00	undisclosed	Kandla

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