26 November 2021

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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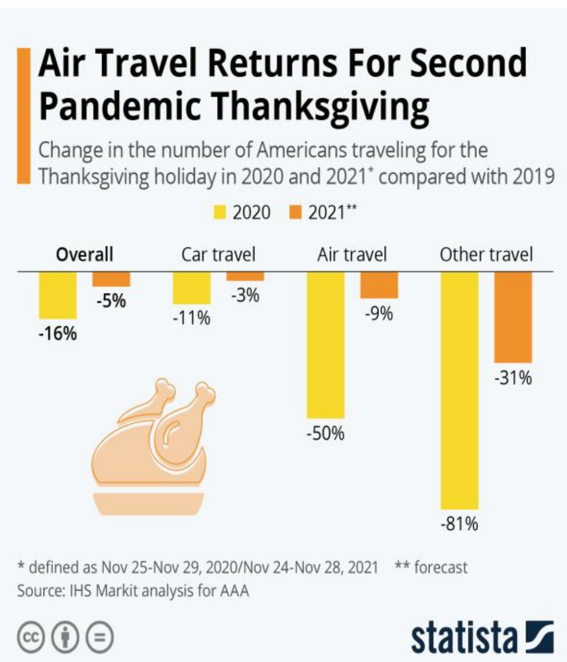
… Travel is Resuming …



Source : Statista

*Analysis based on the IEA's November 2021 Oil Market Report.

^The VLCC fleet has grown from 247.7m-dwt at end 2019 to 848 units of 261.5m-dwt by 01 November 2021, a 5.6% increase in capacity in less than 2 years. Another 14.5m-dwt is scheduled to deliver by end 2022, according to latest SIW data.

**The latest South African variant is not yet factored in.

POINTS OF VIEW

Very large crude carriers (otherwise known as VLCCs or Supertankers) have had a rough time since the middle of last year, a development that was not entirely anticipated after the euphoric spikes in earnings in Q4 2019 and H1 2020. In pre-pandemic Q4 2019, a 2015-built 310,000-dwt eco VLCC was earning on average well in excess of $100,000 per day. This continued into 2020, despite or because of the arrival of Covid-19, with average earnings in Q1 coming in at $91,441 and in Q2 at $92,535 a day, according to SIN time series data. This earnings bonanza went to the heads of executives of some of the largest listed tankers companies who began to see sunlit uplands ahead, regardless of the fact that the H1 surge in rates could be put down to extraordinary conditions that would at some point reverse. Reverse they did, and Q3 dropped to $28,215 and Q4 to $20,251 daily. Back then, expectations were that things would improve in 2021, especially after vaccines were unveiled in November of last year, much earlier than expected. But it was not to be. That modern eco VLCC earned only $10,400 per day in Q1 of this year, followed by $9,612 in Q2 and $7,739 in Q3. The pain has lasted far longer than anyone could have imagined. Lloyd's List calculates that the Q3 losses of nine listed tanker companies that it follows amounted to almost $350 million, taking their combined 2021 annual losses to nearly $1 billion.

Let us remind ourselves of the circumstances of this paradoxical change in VLCC fortunes, with earnings soaring as the pandemic hit hardest in H1 2020, then collapsing as its affects began to alleviate from H2 2020. Quarterly data show a peak to trough drop in global oil demand (in m-bpd) of over 17% from 100.6 in Q4 2019 to 83.1 in Q2 2020, a truly massive demand shock. On an annualised basis, the latest figures and forecasts* for global oil demand are 99.8 in 2019, 90.8 in 2020, 96.2 in 2021 and 99.3 in 2022. So, from 2019 to 2020 we suffered a 9m-bpd, or 9%, drop in global oil demand. In 2022 we will still be 0.5 short of pre-pandemic 2019's 99.8, with Q4 2022 at 100.2 versus 100.6 in Q4 2019. It all adds up to a 3-year hiatus in oil demand growth even as the VLCC fleet has continued to expand.^ Importantly, the 2019-20 collapse in demand led to a drastic fall in oil prices. EIA figures put average monthly Brent prices at $67.31 a barrel in Dec 2019, $63.65 in Jan 2020, $55.66 in Feb, $32.01 in Mar, $18.38 in Apr, $29.38 in May and $40.27 in June. Thus, within H1 2020, there were compelling reasons for consumer countries to load up on cheap oil. This involved filling up land-based storage then using floating storage on both crude and product tankers, causing a flurry of seaborne imports and exports of crude and products, and soaking up excess tonnage supply. VLCC rates responded accordingly (see para one).

In Q3 last year, many developed countries cautiously emerged from first Covid lockdowns and Brent rose from $43.24 in Jul to $49.99 in Dec. The market switched from storage to drawdown, and so began five quarters of subdued tanker activity as consumer countries used up their cheaper inventories. In April 2020, OPEC+ agreed to reduce its overall output by 9.7m-bpd, compensating for a similar fall in demand. Since August this year, OPEC+ has added 2.0m-bpd of supply and will continue at 0.4m-bpd pm to balance the market as demand slowly recovers. Brent has gone from $54.77 in Jan to $83.54 in Oct, suggesting that the market is quite tight. President Biden, eager to tackle inflationary forces, many of which are energy-derived, asked the producer cartel to raise production at a faster pace. He was rebuffed earlier this month by Saudi Arabia and Russia, the influencers in OPEC+. This led to this week's US plan to release 50mb from its SPR, while asking other consumer nations (China, India, Japan, South Korea and the UK) to make their own contributions. This is too little, and it can easily be countered by OPEC+ holding back incremental supply. It also puts the producer and consumer blocs at loggerheads. In the meantime, oil inventories continue to dwindle as demand recovers, inflation is letting rip, and Covid cases are resurgent across Europe, Africa and the US. It is a game of cat and mouse, with tankers stuck in the middle. The trajectory of oil demand recovery is still up, and it would steepen with lower oil prices, kickstarting inventory rebuilds. Meanwhile, VLCC rates are averaging $14,750 in Q4, up from $7,739 in Q3, a glimmer of hope.**

WEEKLY COMMENTARY

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

The BDI closed this week at 2,767 points, up by 215 points from last week.

The **cape** markets continued to be relatively unpredictable this week as rates climbed, fell, and climbed again as the trading week drew to an end. The BCI 5TC ended up at $32,393, gaining $2,455 from last Friday. Coal voyage fixtures that came to light this week included Panocean winning a 130,000 mtons 10% Kepco tender from Newcastle to Boryeong for 9/19 December at $17.29 pmt, LSS chartering a TBN vessel for 150,000 mtons 10% from Richards Bay Coal Terminal to Gangavaram for 10/19 December at $13.00 pmt, and BHP taking another TBN vessel for 162,000 mtons 10% from Dalrymple Bay Coal Terminal to Rotterdam for 9/13 December at $17.50 pmt. Reported iron ore fixtures that emerged this week included Oldendorff taking the 2014-built Uming relet *Cape America* for 170,000 mtons from Port Hedland to Qingdao for 9/11 December at $12.80 pmt, an unreported charterer fixing the 2011-built *KWK Legacy* for 170,000 mtons 10% from Tubarao to Qingdao for mid-December dates at $27.00 pmt, and Rio Tinto chartering the 2004-built *Cape Mary* for 170,000 mtons 10% from Dampier to Qingdao for 11/13 December at $12.30 pmt. Average freight prices for the Tubarao-Rotterdam route ended up at just under $16.00 pmt, Tubarao-Qingdao at around $27.80 pmt, and West Australia-Qingdao at just over $12.00 pmt.

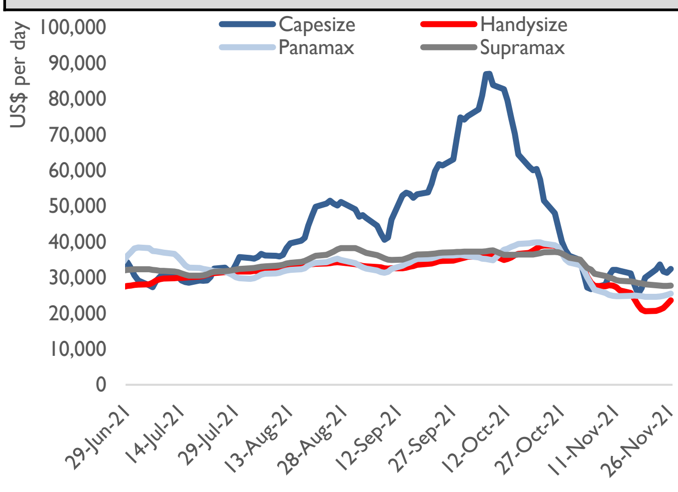
The **panamax** market has seemingly bottomed out this week as it closed today at $23,586 up by $3,051 (14.86%) since last reported on 19th November. In the Pacific, Louis Dreyfus fixed the *Blue Chip* (76,596-dwt, 2007) delivery Singapore 18th November for a trip via EC South America back to SE Asia at $18,000, the *Venus Harmony* (95,717-dwt, 2013) was covered basis delivery Tachibana for end November/early December for a trip via EC Australia to Singapore-Japan range at $24,000 and the *Hoanh Son Sun* (88,222-dwt, 2000) was fixed basis delivery Kemen 25th November for a trip via Indonesia to Singapore-Japan range at $10,500. In the Indian, Panocean took the *Darya Preeti* (81,981-dwt, 2019) delivery Colombo 26/28 November for a trip via EC South America to Singapore-Japan range at $23,000 whilst the *Jal Kumud* (76,302-dwt, 2008, Grabber) was fixed basis delivery Tuticorin for prompt dates for a trip via Arabian Gulf with aggregates to Bangladesh at $24,000. In the Atlantic, Bunge fixed both the *Falkonera* (81,641-dwt, 2012) delivery aps EC South America early December for a trip to Gibraltar-Skaw range at $38,500 and the *Min Sheng I* (81,659-dwt, 2012) for delivery Belfast 30th November for a trip via US Gulf to Skaw-Spain at $22,500. Whilst Norden covered the *Elena Ve* (75,750-dwt, 2010) delivery Ijmuiden 27th November for a trip via Murmansk with coal to ARA range at $21,250. Alternatively, Swissmarine took the *Alcmene* (93,193-dwt, 2010) delivery Yosu 22/23 November for min 13 – max 15.5 months with redelivery worldwide and Cargill fixed the *Ismene* (77,901-dwt, 2013) delivery Yangpu 23rd November for 13-15 months with redelivery worldwide at $18,500. SAIL covered a TBN vessel for 75,000 mtons 10% of coal loading HPCT 14/23 December and discharging in Visakhapatnam at $23.55 pmt.

The **supra** market is finally seeing some green after a long month of red. Though that being said, rates are still and holding low in the Pacific and Indian Ocean, while rates in the Atlantic still maintain their stronger position. The BSI closed at $25,472, up from last week's $24,603. In the Atlantic, *Golden Cathrine* (60,000-dwt, 2010) was fixed for a trip delivery Brazil and redelivery US Gulf-US East Coast range at $46,000. *Tomini Majesty* (56,942-dwt, 2010) was fixed for a trip delivery South Brazil and redelivery in the Black Sea at $38,000. In the Indian Ocean, *Agia Eirini Force* (55,624-dwt, 2008) was fixed for a trip carrying fertilisers with delivery Magdalla and redelivery West coast India via the Arabian Gulf at $16,000. *Aggelos B* (58,479-dwt, 2010) was fixed for a trip with delivery Visakhapatnam via East Coast India and redelivery on the West coast at $17,000. In the Pacific, *Da Hong* (50,351-dwt, 2004) open Luoyuan was fixed for a trip with redelivery Indonesia or China at $20,000. *HY Glory* (50,457-dwt, 2003) was fixed for a trip delivery Qinzhou via Vietnam to China at $16,000.

The **BHSI** closed this week at $27,703 down $387 from last week at $28,090. A positive feel coming from the Asian markets with more fresh enquiry keeping rates up in the East. The Atlantic has been slow especially in the Continent and Mediterranean markets, while the Thanksgiving holiday has done little to help the US Gulf. On the Continent, little reported activity this week, *St Gregory* (32,688-dwt, 2010) open Aveiro fixed via Spain redelivery Continent at $27,000. Scrap runs were paying under $30,000. Perhaps the fixture of the week, *Adrienne* (34,845-dwt, 2020) open Kaliningrad fixed for a trip to East coast South America at $39,000. In the Mediterranean, it was rumoured Lauritzen took a 33k-dwt for their trip via Black Sea to the Continent at high $20,000's basis Canakkale. *Regius* (33,395-dwt, 2016) fixed a trip to the US Gulf at $28,000 to Lighthouse. In Morocco, *Strategic fortitude* (37,819-dwt, 2016) open Casablanca fixed via the Continent redelivery Caribbean at $32,000 per day. The US gulf was again soft, *Anacapa Light* (32,131-dwt, 2005) fixed a trip from Texas to the Caribbean with grains at around $25,000 to WBC. *IVS Thanda* (37,715-dwt, 2015) open in Houston fixed delivery SW Pass for a trip to Morocco with an intended cargo of grains at $27,750 to Bunge. The East coast of South America was the shining light in the Atlantic, it was reported *Impression Bay* (37,470-dwt, 2015) open Upriver fixed for a trip to Kaliningrad at $43,000 with Minchart. A 39k-dwt vessel fixed $45,000 for a coastal. It was also heard, *Indigo Lake* (37,507-dwt, 2015) opening Upriver was on subs to North coast South America at close to $50,000. In the East, a large Handy fixed for a trip from Japan to Continent-Mediterranean range at $20,000. *Porthos* (34,037-dwt, 2011) open in the Red Sea has been fixed for a trip to Singapore-Japan range at $23,000. A 37k-dwt open in Kendari fixed for a trip via Indonesia with redelivery China at $18,000. *Jin Hai Ping* (44,588-dwt, 2014) open Guangzhou fixed for a trip via Indonesia to China with an intended cargo of coal at $18,500. A 38k-dwt open in South Korea fixed for a trip to the US Gulf with steels in the high teens. *Indigo SW* (36,371-dwt, 2014) open Vietnam was fixed via Australia to Asia with salt, in the low to mid $20,000's. A 28k-dwt fixed basis delivery in Western Australia to Japan at $26,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Hoanh Son Sun	88,222	2000	Kemen	25 Nov	Singapore-Japan	$10,500	CNR	Via Indonesia
Min Sheng I	81,659	2012	Belfast	30 Nov	Skaw-Spain	$22,500	Bunge	Via US Gulf
Silver Navigator	80,312	2011	North Continent	22 Nov	China	$39,500	CNR	Via Baltic
Honor Star	76,939	2007	Zhuhai	23/24 Nov	Philippines	$13,000	Klaveness	Via Indonesia
Rapallo	75,123	2009	Singapore	13 Nov	China	$17,500	Cargill	Via Black Sea Int Grains
Hanton Trader III	63,800	2014	Richards Bay	1/6 Dec	Pakistan	$25,000	Mingwah	Plus $480,000 bb
Ken Colon	63,513	2018	Mumbai	23/25 Nov	East Coast India	$35,000	Agricore	Via Arabian Gulf-Red Sea
Golden Centurion	60,000	2015	Brazil	Early Dec	US Gulf- US East Coast	$46,000	Centurion	
IVS Tundra	37,715	2015	SW Pass	PPT	Morocco	$27,750	Bunge	Int Grains
Adrienne	34,845	2020	Kalinigrad	PPT	EC South America	$39,000	CNR	Int Fertiliser



Exchange Rates		This week	Last Week
	JPY/USD	113.98	113.94
	USD/EUR	1.1287	1.1314

Brent Oil Price		This week	Last Week
	US$/barrel	77.84	79.27

Bunker Prices ($/tonne)		This week	Last Week
	Singapore IFO	453.0	460.0
	VLSFO	631.0	613.0
	Rotterdam IFO	430.0	430.0
	VLSFO	568.0	563.0

Dry Bulk S&P

As the USA celebrates Thanksgiving, Buyers who've been active on bulkers in the past few weeks may well be thankful they moved when they did. Charter market earnings are picking up again and for the first time in a couple of months sales are emerging at premiums to last done.

Italian Owners have sold their BWTS fitted *Mayfair Spirit* (93,257-dwt, 2011 Jiangsu Newyangzi) for $19m to currently undisclosed buyers. The year older exact sister *Shuang Xi* (93,237-dwt, 2010 Jiangsu Newyangzi) was sold back at the beginning of October for $20.15m to Chinese buyers. Showing a slight softening on price over the last month however not as drastic as some might have expected.

In the Ultramax Sector the Nomikos controlled *Noni* (61,631-dwt, 2015 NACKS) is rumoured committed for $27.5m to Asian based Buyers, Pacific Rim. NACKS vessels earn premiums to their pure Chinese counterparts, prior to this week the last 2015 built vessel sold was the *Soho Merchant* & *Soho Trader* both 2015 built chengxis were sold for $25.25m each. Grieg Star are rumoured to have committed two more Ultras *Star Artemis* & *Star Eos* (63,200-dwt, 2015 Dayang) for $53m en block, a step up on last done.

There has been continuing activity in the Handy sector which has remained resilient over the last few uncertain weeks. Suisse-Atlantique's Tier II handy, *Charmey* (35,697-dwt, 2011 Shinan) is understood to be committed at $16m. Back in mid-October US based Owners Apex Marine Corp sold the *Oriana C* (34,417-dwt, 2012 SPP) to Greek buyers for only half a million more at $16.5m. Elsewhere, the 'eco' *ES Uranus* (34,358-dwt, 2014 Namura) is reported to be committed for $21.8m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Mayfair Spirit	93,257	2011	Jiangsu Newyangzi	Gearless	undisclosed	$19.00m	BWTS fitted
Star Artemis	63,205	2015	Dayang	C 4x35T	Greek	$53.00m enbloc	
Star Eos	63,132						
Noni	61,631	2015	Nacks	C 4x30T	Pacific Rim	$27.50m	BWTS fitted
Charmey	35,697	2011	Shinan HI	C 4x30T	undisclosed	$16.00m	T2
ES Uranus	34,358	2014	Namura	C 4x30T	undisclosed	$21.80m	

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Tanker Commentary

Turkish owners Advantage Tankers have purchased the top and bottom coated *Antonis* (114k-dwt, 2017 Daehan) for $44.3m, having secured a 3+1+1 TC to Trafigura at $22,500 p/d. The last comparable sale was Navig8s 2 x LR2s (110k-dwt, 2018 NTS, scrubber fitted) purchased by J P Morgan in September for $48m each.

Bocomm still has appetite for big ticket deals, as they make a move this week on three VLCC resales under construction at Daewoo for $245m en bloc, on a 7 year lease structure – the ships are owned by International Seaways and due to deliver in 2022 and 2023.

Meanwhile, activity in the MR segment has been rife.

Offers were invited on four MR tankers controlled by Premuda SpA earlier this week, with two being put on subjects; the *Grazia* (50k-dwt, 2010) and *PS Houston* (50k-dwt, 2008 STX, Ice 1A) being committed to separate Greek interests for $14.75m and $12m respectively.

Elsewhere the deepwell *Arctic Bay* (47k-dwt, 2006 STX) with good survey positions invited offers on Monday, seeing best at $11.7m – the last sister vessel sold was the *Grand Ace2* (47k-dwt, 2006 STX) that achieved $9m in July however this was understood to be in poor condition.

Middle Eastern owners have sold their *UACC Harmony* & *UACC Consensus* (46k-dwt, 2005 Shin Kurushima) for $9.2m each, prior dry docking which is due next year. This is a step up in pricing considering the year younger *Amelia Pacific* (46k-dwt, 2006 Shin Kurushima) fetched $8.25m last month with surveys and BWTS due.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Antonis	113,563	2017	Daehan	Advantage Tankers	$44.30m	with 3+1+1 TC to Trafigura at $ 22,500 p/d
PTI Amazon	51,218	2007	STX	GMS	$19.60m enbloc	Delivery in December 2021 in the Far East
PTI Rhine	51,271					
Grazia	50,213	2010	GSI	Greek	$14.75m	Ice 1A
PS Houston	50,922	2008	STX	Greek	$12.00m	Ice 1A
UACC Harmony	45,913	2005	Shin Kurushima	undisclosed	$18.40m enbloc	
UACC Consensus	45,895					
Mesabi	12,934	2006	Samho	undisclosed	$12.00m enbloc	BWTS fitted & epoxy phenolic
Bardon	12,902					

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Jacob	157,449	2000	Daewoo	TANK	22,609.00	600	Batam
Queen Ematha	13,937	1989	Inchon	TANK	4,074.10	615	Pakistan
Blue Ship	164,859	2001	Hyundai HI	TANK	24,370.40	undisclosed	Singapore

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