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*Happy New Year &
Best Wishes for 2022!*

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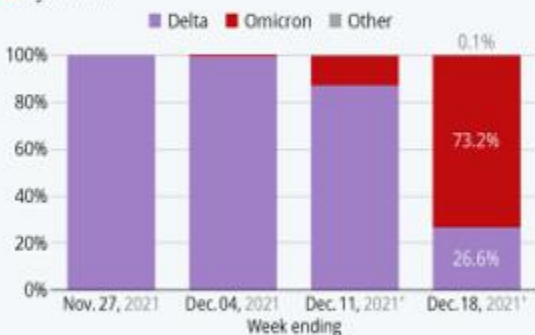
Another year draws to a close. For many it was an annus horribilis.[^] For the Queen after the loss of her husband, Prince Philip. For many families that lost loved ones to Covid-19, and for those that suffered economically from the fallout from lockdowns and enforced isolation. And for other families torn apart by the devastating effects of climate change, debated in earnest at Cop26 in Glasgow, but reputationally damaged by its last minute watered-down conclusions on coal. Other people and companies might have prospered from Covid-related stimulus, with elevated profits, soaring stock markets, rising commodity and house prices, and so on. Those with assets generally saw them gain in value; those without simply felt the brunt of higher prices and inflation. From the second half of next year, everyone will be subject to higher interest rates. Ships, as assets, did well, even tankers despite a dreadful year of low to negative earnings. Containerships starred with earnings and values setting all-time records, exceeding the previous record boom year of 2005 by 63%. MSC spent over \$2 billion on second-hand ships. A 5-year old 4,500-teu classic panamax (32.2m beam), worth scrap value of \$7m in late 2016, when a new set of locks opened in the Panama Canal, nominally soared almost tenfold to \$68m. Had that 5-year old 4,500-teu ship avoided the scrapyards in 2016, then it would be worth \$66m today, despite being five years older. Bulk carriers also performed well, sitting between tankers and containers, having suffered a sharp 61% downward correction since early October.

The big question is what happens next, in what is an unusually challenging time for forecasters. There is widespread unease that stock markets are flying too high, thus justifying recent profit-taking in US markets.^{^^} The dominant factor would still appear to be Covid as scientists analyse omicron versus delta, in terms of infectiousness and potency, to determine the risks of hospitalisation and death. It is left to the politicians to decide whether we go into more socially and economically debilitating lockdowns, or simply to learn to live with it as we do with colds and flu. It is not an easy call.* Demand in the global economy is very much dependent on returning to some semblance of 2019 pre-Covid normality. Rising oil demand will benefit tankers; infrastructure spending will boost bulk carriers and restored confidence should encourage consumer spending, propping up containers at above average earnings. In 2022, supply will still be constrained given a relative absence of earlier ordering, counteracted by the unwinding of bottlenecks and possibly higher speeds. In 2023, now only a year away, EEXI rules will encourage lower speeds and increased scrapping at the margins. The market expects containers to correct in Q1 or Q2 and for tankers to improve in Q3 or Q4. It is hoped that bulk carriers will benefit from a post Winter Olympics policy response from the Chinese government as it returns to growth mode in Q2.

Some commentators are more interested in geopolitical issues than Covid. About 100,000 Russian troops are massed around the eastern Ukraine border with President Putin making the case against Nato's eastward expansion, a pretext to a possible invasion of Ukraine to prevent it succumbing to western influence. Over the past 30 years, since the dissolution of the USSR, most former Warsaw Pact countries have either joined Europe, Nato or both. Russia seeks sign off for its Nord Stream 2 pipeline that goes under the Baltic Sea to Germany. It bypasses existing pipelines running through Ukraine, potentially depriving it of transit fees while increasing Europe's dependence on Russian gas. The US wants to sabotage the completed but uncertified NS2 and supply Europe with its own LNG. Russia has responded by restricting gas supplies to Europe and instead turning the flows eastwards. UK and European gas prices surged to record highs just ahead of the northern winter and as France takes nuclear plants off-line for safety inspections. The situation is tense. Meanwhile, Putin and Xi Jinping are getting closer. They have a common interest in resisting US and western influence in Europe and the Asia Pacific. To this end, China would like to 'nationalise' Taiwan, a position that would be unacceptable to the US from a strategic perspective.^{**} In the meantime, Covid-free North Korea and uranium-enriched Iran are never far away from their next act of menace. Next week, armed with the annual data, we will review how shipping did in 2021. We wish you a happy, healthy and prosperous 2022!

Omicron Jumps to Dominance Within Weeks of Its Emergence

Estimated share of new Covid-19 cases in the United States, by variant



* based on Nowcast estimates, which are modeled projections that may differ from weighted estimates generated at later dates
Source: Centers for Disease Control and Prevention



statista

Source: Statista

[^]A phrase first made famous by our Queen in 1992, like this, a year of many royal indiscretions, and a fire at Windsor Castle.

^{^^}US companies are complaining about rising input costs and a labour crunch as the participation rate falls.

*Anecdotally, the explosion in omicron cases is beginning to put very considerable strains on global healthcare capacity.

One view is that if omicron is less virulent than delta, then the more it eclipses and replaces delta, the closer we are to the end.

**Earlier this month, the US admitted that Taiwan is "critical to the region's security and critical to the defence of vital US interests."

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Dry Bulk S&P

In central London the current estimate is that one in fifteen currently has a Covid infection and where our office sits in Covent Garden the shops were discounting unseasonably early to attract the more limited footfall. No such discounting is in evidence in the secondhand markets with the bulker market showing signs of recovery from the hesitation and correction shown in November. Confidence seems to be returning particularly in the handysize sector where earnings have remained resilient. With so few handysizes on order and with yards unable to offer prices that would attract speculative ordering, buyers are comfortable that the supply/demand balance will remain in owners favour for the foreseeable future. Further Covid induced delays and general trade stickiness will be of particular benefit to the smaller sizes.

Panamaxes and kamsarmaxes also remain in hot demand as the year ends. The more modern units are recovering loss ground quickly while older units are still being sold at a significant discount to the recent October peaks.

The tanker market ends 2021 pretty much as it has throughout the year. MRs remain the main centre of

speculation, changing hands within a remarkably small range over the year, considering the desperately meagre returns that have been on offer.

The last twelve months have been a very successful period for the drybulk market, the best since the 2006-8 boom market and ten year old tonnage has seen average value increases between 80 and 100%. The star performer, according to our benchmarks, has been the humble handysize. A ten year old Imabari28 started the year at \$5m and ended at \$13.7m – a 175% gain. All of this pales in comparison to the container markets where asset values have risen faster and further than any asset class since the Suez crisis!

As we stand at the gate of the new year, we are as usual looking for a light to lead us into the darkness. We remain optimistic that another good year awaits us (and that recovery is not out of reach for the wet market) but for the moment after a year where many of us as individuals may have faced some difficult times, we wish a happy, healthy and prosperous 2022 to all our clients and friends.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Sakura	229,069	2010	Namura	Gearless	Winning	\$22.00	
Jin Qi	93,079	2012	Jiangsu Jinling	Gearless	undisclosed	\$17.34m	Auction
Lowlands Light	87,605	2017	Oshima	Gearless	undisclosed	\$32.80m	
Atlantic Leend	83,685	2009	Sanoyas	Gearless	undisclosed	\$18.50m	
Scarlet Albatross	81,923	2015	Tsuneishi Fukuyama	Gearless	TMS Dry	\$31.00m	
Orient Union	79,754	2011	Fujian Crown	Gearless	Undisclosed	\$17.50m	
Coral Diamond	76,569	2007	Imabari	Gearless	undisclosed	\$16.20m	BWTS fitted
Zhong Xin Pearl	75,321	2013	Guanghou Huangpu	Gearless	Chinese	\$22.00m	
Scorpio	74,930	2012	Sasebo	Gearless	Castor	\$23.55m	
HH Pioneer	72,940	1997	Daedong	Gearless	undisclosed	-	BWTS fitted
Jin Tao	56,731	2012	Qingshan	C 4x30T	undisclosed	\$16.06m	Auction
Berge Taranaki	36,896	2019	Oshima	C 4x30T	undisclosed	\$27.00m	
Melbourne Spirit	35,573	2013	Qingshan	C 4x30T	European	\$17.00m	
Xing Jing Hai	34,443	2015	Namura	C 4x30T		\$22.00m	
Xing Yuan Hai	34,443	2015	Namura	C 4x30T	undisclosed	\$22.00m	Logs & BWTS fitted
Boxy	34,148	2012	Dae Sun	C 4x30T	undisclosed	\$15.50m	TC attached at \$19k until March 2022
UBC Sacramento	31,773	2001	Saiki	C 4x30T		\$10.50m	
UBC Sydney	31,759	2001	Saiki	C 4x30T	undisclosed	\$10.50m	

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Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Targale	52,660	2006	Brodogradaliste	undisclosed	\$14.20m	
Ocean Pluto	50,359	2007	SLS	EGPN	\$9.70m	
Dong-A Triton	49,997	2015			\$30.00m	
Dong-A Themis	49,997	2015	Hyundai Mipo	Tufton	\$30.00m	
Dong-A Krios	49,997	2015			\$30.00m	
Nordic Agnetha	37,791	2009			\$11.60m	
Nordic Amy	37,759	2009	Hyundai Mipo	German	\$11.60m	