25 March 2022

WEEKLY COMMENTARY

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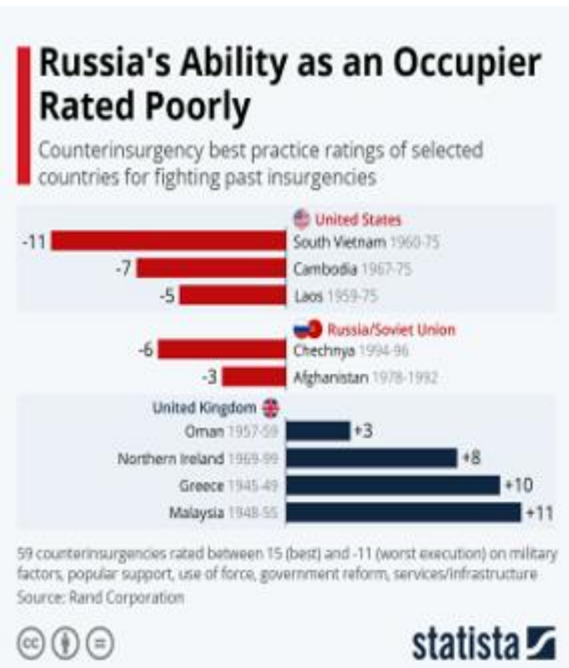
… In Ukraine, True to Form …



Source : Statista

*In the 2005 speech, President Putin referred to the 1991 Belovezh Accords between Russia, Belarus and Ukraine as "the greatest geopolitical catastrophe of the 20th century" leading to the demise of the USSR and the loss of Russian greatness.

^It runs from Tengiz in the east to Novorossiysk in the west with a capacity of 1.4m-bpd of Kazakh (90%) and Russian (10%) crude oil. Investors include Chevon, Exxon, Shell, Total, Eni. As it is largely Kazakh crude, it is seen as more dispensable than Russian crude.

**Reuters reports estimates that China imported 700,000-bpd of Iranian crude in January, surpassing the 623,000-bpd peak of 2017, the year before Trump reimposed sanctions on Iranian oil exports.
In January, Iran priced at $5 below Brent versus Brazil at $7 above.

POINTS OF VIEW

The law of unintended consequences is in evidence everywhere. In 2005, Putin lamented the 1991 collapse of the USSR, and the formation of the CIS, leaving ethnic Russians living in independent states beyond Russian borders, Ukraine being one.* In 2007, in a speech in Munich, Putin warned that the American-led global order was one in which "no-one felt safe". He said that Russia and the world had reached "a decisive moment" for moving away from it. He went on to invade Georgia in 2008, annexe Crimea in 2014 and occupy Donetsk and Luhansk in the same year. Ever since the fall of the Berlin Wall in 1989, Europe had shown complacency in expecting that the US would protect it from the beast to the east, were it ever to re-awaken. Putin's historic intimidation of Ukraine made it natural for it to look to the West for protection. In this context, Nato enlargement might be seen as serious bear-baiting, the consequences of which were not at all anticipated. It seems to have fed into Putin's revanchist nationalism and brewing territorial paranoia. However, past progressive EU and Nato adoption of former Warsaw Pact countries may only have provided the smokescreen, rather than the casus belli, for the Ukraine invasion. From Putin's pre-invasion speech, and from his comments before and since then, he has never recognised Ukraine's right to exist independently and views its inhabitants as traitors, neo-Nazis, drug addicts and criminals. His most recent actions should provide rich evidence in a future ICC investigation of war crimes and genocide, in full swing and caught on camera. One could argue that the graffiti has been on the walls for a long time already.

Other unintended consequences? The US and UK recently committed to wind down their purchases of Russian oil, although neither is a material importer. This week, Russia closed its 1,510km CPC pipeline^ that runs from the Caspian Sea to the Black Sea after alleged storm damage. Brent has surged over 20% in a week to $120 a barrel. The repairs may take a while as needed replacement equipment is sanctioned. Russia has just decided that unfriendly countries (in Europe) will now have to pay for its much-in-demand natural gas in roubles. Europe, especially Germany, need the gas for heating, power generation and industrial processes so the western enforcers will have to breach their own sanctions to get their gas. Meanwhile, Russia will break the fall in its currency as gas buyers will sell dollars and euros to purchase roubles. In 2021, Russia exported 155-bcm of gas to the EU, 15-bcm of which was in LNG form, and the rest by pipeline. Last year, the US exported 22-bcm of LNG to the EU and Biden today promised to raise this by 15-bcm this year. Big deal. Germany will stop decommissioning coal and nuclear power plants and will build an LNG receiving terminal at Brunsbüttel. Hyperactive Shell is keen to secure most of its LNG import capacity just as it reverses an earlier decision to abandon the Cambo oilfield in the North Sea. Green targets are being jettisoned everywhere as the whole world goes hammer and sickle after non-Russian alternatives. The US shale patch is rotating away from dividends and share buy-backs to ramping up production so it can export into the vacuum.

The unintended consequence of the West sanctioning Russian oil is that Russian crude oil and oil products will head east while Asian equivalents will head west in an elongation of trade routes and an increase in ton-miles. The loss of some part of Russia's 7.8m bpd of oil exports is unlikely to be fully replaced by bringing back the 3-4m bpd of sanctioned Iranian and Venezuelan supply. The 100-150 ageing subterfuge tankers operating in these sanctioned trades will mostly become idle or get scrapped as the modern legitimate fleet takes up the slack. Some of the most serviceable ghost tankers may get to switch to Asian imports of Russian oil for the relatively few Asian buyers that fear being caught and punished by the US. Some countries are still willing openly to support Russia. For example, India is buying Urals crude at a steep discount to Middle East grades which may now be shipped over longer distances into Europe. China is likely to buy Russian crude, subject to price, just as it continues to buy Iranian crude** despite US sanctions. We can only hope that it is more Baltic and less ESPO origin which will provide longer duration trades and may help lift the seaborne market from the doldrums. A month after the Russian invasion of Ukraine, the BDTI is 51% higher at 1,093 points, having retreated from a peak of 1,517 on 7 March, while the BCTI is up 39% to 961 points, having faded from a peak of 1,071 on 7 March. It's a start.

WEEKLY COMMENTARY

25 March 2022

HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

The **cape** markets softened considerably this week, dropping $5,956 to close play at $15,648. The usual Tubarao-Qingdao iron ore route shed another $2.00 pmt, as freight prices dipped across all major trading routes. Despite this, plenty of iron ore fixtures came to light this week as Rio Tinto took at least four vessels for their usual Dampier-Qingdao route for 170,000 mtons 10%. All for early April dates, fixtures included the 2007-built *Berge Odel* at $11.70 pmt, *Highland Park* built 2006 for $11.75 pmt, and *Flag Seaman* built 2013 at $11.15 pmt. We also heard that Cara Shipping chartered *True North* the 2016-built Olam relet for 180,000 mtons 10% from Western Australia to Qingdao for 6/10 April at $11.25 pmt. In terms of coal fixtures, SAIL fixed a TBN vessel for 140,000 mtons 10% for loading Norfolk and Newport News to Dhamra for 20/29 April at $32.20 pmt. Additionally, it was also rumoured that ECTP took on *New Orleans* (180,960-dwt, 2015) delivery Map Ta Phut on 24 March until a minimum of 20 November 2023 or maximum of 31 January 2024 at $32,000 with redelivery worldwide.

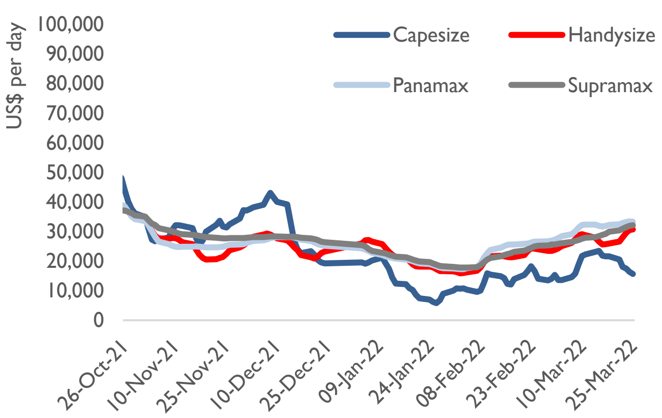
The **panamax** market strongly firmed this week after it re-corrected last week as it closed at $30,713 up by $4,845 (15.76%) since last reported on 18th March. In the Pacific, Invivo fixed the *Sophocles Graecia* (82,039-dwt, 2020) delivery retro sailing Singapore 11th March for a trip via East Coast South America to the Arabian Gulf at $31,000 whilst LSS took the *BW Japan* (81,609-dwt, 2019, scrubber fitted) delivery Incheon 24/25 March for a trip via East Coast Australia to India at $28,000 and Olam covered the *Perseus* (82,165-dwt, 2013) delivery Toyashi prompt dates for a trip via NoPac with Grains to Singapore-Japan range at $29,500. Meanwhile in the Indian, Bunge took the *Predator* (81,754-dwt, 2019) delivery Hazira 25th March for a trip via East Coast South America to Singapore-Japan range at $33,500 whilst the *Omicron Nikos* (75,730-dwt, 2003) was fixed delivery Kandla 25/28 March for a trip via WCI with grains to SE Asia at $32,000. In the Atlantic, Bunge fixed the *Tinos* (81,391-dwt, 2011) delivery aps East Coast South America 6/11 March for a trip with grains to Skaw-Gibraltar range intention Morocco at $54,000 whilst Norden covered the *Flying Tiger* (81,541-dwt, 2012) delivery East Coast South America 5/15 April for a trip to Singapore-Japan range at $23,750 plus $1,375,000bb. Alternatively, this week, Klaveness took the *Coral VI* (77,283-dwt, 2008) delivery Chiba beginning of April for 11-13 months with redelivery worldwide at $24,500 and Cargill took the *Artemis* (76,942-dwt, 2006) delivery Dahej 19th March for 15-17 months with redelivery worldwide at $21,250. SAIL covered a TBN vessel for 75,000 mtons 10% coal loading Gladstone 11/20 April and discharging Visakhapatnam at $31.60.

The **BSI** closed at $33,217, up from last weeks $32,147. Another positive week overall for the supramax market. Atlantic demand remains strong, especially from East Coast South America, with high rates recorded across board. Further softening observed from the US Gulf for trans-Atlantic runs. Premium demanded from owners decreases as better opportunities were being seen from the Mediterranean and Continent regions. The *Aikaterini* (63,512-dwt, 2014) fixed basis delivery Recalada trip to East Mediterranean at $46,500. *Pacific Nexus* (55,819-dwt, 2017) fixed from Poland to Turkey with scrap at $23,000 with XO shipping. From Pacific, despite positive sentiment due to increased demand for backhaul cargo, some observed decreasing number of enquiries from Indonesia. Limited fresh enquiry heard for CSI pacific business. *Nafisa Jahan* (56,793dwt, 2011) fixed a trip delivery Singapore and redelivery China at $44,000. *Yin Shun* (53,496-dwt, 2009) fixed basis delivery Singapore to China at $45,000. From the Indian Ocean, sentiment remains positive although little has surfaced. *ETG Southern Cross* (63,482-dwt, 2021) open Payra fixed for a trip via Indonesia to South China at $40,000. *Nicholas* (58,018dwt, 2010) open Haldia was heard to have been fixed for a trip to the US Gulf with steels at $43,000.

The **handies** had a strong week in the Atlantic, notably across the East coast of South America, while Asia was softening in parts. The BHSI closed this week $32,082 up $2,160 from last week. The strength of the south Atlantic pulled tonnage from the Continent, freeing tonnage and pushing up rates. *Monegasque Epee* (33,190-dwt, 2015) open Antwerp-Rotterdam-Amsterdam-Ghent range fixed a trip via Murmansk to East Coast South America at $49,000. Mediterranean firmed up at the start of the week but cooled downwards the later stages, a 38,000-dwt was heard fixed out of the East Mediterranean via Uruguay to India with logs in the high teens. XO covered their stem on the *Olivian Confidence* (38,090-dwt, 2013) open Port Talbot fixed via Dakar to Discharge in Tyssendaal Redelivering A-R-A-G range at $21,000. A 38,000-dwt was failed on subjects basis delivery Matadi via North Brazil to the Continent at $37,500. Lack of tonnage in the US Gulf contributed to strong rates in the states, *Regius* (33,367-dwt, 2016) open New Orleans fixed at $28000 In Direct-Continuation for a Grains trip loading Mississippi river for a trip to Rotterdam. East Coast south America was the strongest performer, *Mel Grace* (38,225-dwt, 2011) fixed for a trip from Recalada to Dakar at $52,500 to Maxima. *Ionic Huntress* (34,062-dwt, 2012) open Capuaba fixed Grains from Uruguay to Algeria at $41,000. *Clipper Como* (37,302-dwt, 2010) In ballast from the Continent fixed delivery Praia Mole Redelivery Diliskelesi with Pig Iron at $58,500 to Meadway. The tide turning in Asia for Owners, with a continued lack of activity leading to a change in the balance of tonnage to fresh enquiry levels, pushing rates down. In India, *Golden Bridge* (31,877-dwt, 2000) open Hazira fixed via West Coast India to South East Asia with salt at $30,000 to MUR. A 39,000-dwt fixed from Japan to Thailand at $39,000. *Mars Harmony* (36,000-dwt, 2019) open Vietnam fixed $43,000 for a trip with Generals to the US Gulf with Paccline. It was reported a handy fixed delivery South East-Asia for a Pacific round trip at low 30's. On period, *Bunun Treasure* (37,873-dwt, 2022) open Japan fixed 5/7 months at $38,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Sophocles Graecia	82,039	2020	Singapore	11 Mar	Arabian Gulf	31,000	Invivo	
Predator	81,754	2019	Hazira	25 Mar	Sing-Jap	33,500	Bunge	Via ECSA
BW Japan	81,609	2019	Incheon	24/25 Mar	India	28,000	LSS	Scrubber fitted
Medi Oita	81,607	2019	PMO	30 Mar	Sing-Jap	32,000	Bunge	Scrubber fitted
Tinos	81,391	2011	ESCA	6/11 Apr	Skaw-Gib	54,000	Bunge	Int. Morocco
Danae	81,252	2017	Singapore	22 Mar	SE Asia	32,000	Oldendorff	
Pacific Valor	63,564	2015	Kohsichang	24 Mar	South China	40,000	CNR	
KM Jakarta	63,406	2018	Male	24/25 Mar	South China	38,500	CNR	
Pacific Nexus	55,819	2017	Poland	Prompt	Turkey	23,000	XO Shipping	Int. scrap
Ionic Huntress	34,062	2012	Capuaba	1/5 Apr	Algeria	41,000	CNR	Int. grain



Exchange Rates	This week	Last Week
JPY/USD	122.05	119.28
USD/EUR	1.0984	1.1024

Brent Oil Price	This week	Last Week
US$/barrel	120.25	106.31

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	686.0	629.0
VLSFO	900.0	839.0
Rotterdam IFO	685.0	638.0
VLSFO	905.0	860.0

Dry Bulk S&P

With each week that passes, dry S&P values continue to rise with new benchmarks set across the board. We have not been in a market like this for a long time, and historical data suggests that we have a lot further to go.

For example, the value of a 10 year old Mitsui 56 in 2014 peaked at $21m, and at that time could earn $12-13k pd for a 12 month t/c. Today, the same 10 year old asset is broadly at the same value, however the 12 month tc rate is in the mid $20's. The continuing competition for the ships that come to market underpins the rise and we see no sign of this abating. Off-market tonnage attracts a further premium, and these sales that will come to light over the coming weeks will further raise the benchmarks.

There are 5-10 ships that have invited offers this week which we will update on in next week's report, but in terms of confirmed sales there is still a huge amount to report.

The 2014 built kamsarmax, *Majestic Sky* (82k dwt, built 2014 Tadotsu) has been sold to Greek buyers for $31.5m. 2 weeks ago a 2 year older Chinese equivalent was sold for under $20m.. The older kamsarmaxes are also increasing significantly in value, with Greek owners NGM reported to have paid $20.8m for the 2007 built *Oceanic* (82k-dwt, built Tsuneishi, BWTS fitted).

Tier II supramaxes continue to attract interest, with a number of ships inviting offers this week. *Dayang Century* (57k-dwt, built 2011, Jiangdong, Tier II) has been sold for a very healthy $17.9m. She was sold at auction – notoriously giving lower than market values - so this really highlights the current sentiment.

The rise in values of the more modern handysizes is filtering down to the older assets, also underpinned by rising scrap values. *Eco Dynamic* (32k-dwt, built 2005 Kanda OHBS) has seen 11 offers, the best of which is reported to be at $13.5m. We will update further next week.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Majestic Sky	81,949	2014	Tadotsu	Gearless	Greek	$31.50m	
Oceanic	82,471	2007	Tsuneishi	Gearless	NGM	$20.80m	BWTS fitted
Ultra Initiator	62,647	2019	Oshima	C 4x30T	Japanese	$37.00m	With 2 year TC back
Dayang Century	56,780	2011	Jiangdong	C 4x30T	undisclosed	$17.90m	Auction & Tier II
Neraida	55,567	2005	Oshima	C 4x30T	Chinese	$16.25m	DD/BWTS fitted
Shangrila	52,342	2001	Tsuneishi	C 4x30T	undisclosed	$12.75m	SS passed & BWTS fitted, Delivery in July
Ocean Ibis	38,486	2013	Minaminippon	C 4x30T	undisclosed	$24.50m	BBHP basis
Ionic Halo	34,039	2012	Dae Sun	C 4x30T	undisclosed	$19.00m	SS/DD passed & BWTS fitted
Sinoway Act	28,361	2008	Imabari	C 4x31T	undisclosed	-	

HARTLAND SHIPPING SERVICES

Tanker Commentary

The tanker market continues to recalibrate, better positioning itself for the long term. Firm scrap rates are drawing in older ships to the beach and an uninspiring charter market helps them navigate in that direction. Meanwhile the order book for tankers remains low as containers take up the majority of berths and an increase in steel prices deters owners from commissioning new vessels.

Nordic American Tankers continues to clear out its older tonnage, letting two of their suezmax tankers go at scrap related levels. *Nordic Grace* (149,921 dwt, 2002 Samho) achieving $15m and the larger deadweight sister *Nordic Passat* (164,274 dwt, 2002 Samho) securing a firmer $15.5m. Both have survey surveys due within this year and have been sold to cash buyers. At time of writing, *Libya* (159,233 dwt, 2007 Hyundai) & *17 February* (160,391 dwt, 2008 Samsung) are understood to be under negotiations at around $21m each, we expect these to be concluded next week.

In the MR segment, there are unconfirmed reports that *Maersk Tokyo* (49,687 dwt, 2016 Sungdong) has been acquired by Italian owners Premuda in an off market transaction for $31m – note that she has good survey positions, with next dry docking due mid-2024. The last similar sold was back in December when Tufton took the Korean controlled *Dong-A Krios* (49,997 dwt, 2015 Hyundai) for $30.9m which is in line with this weeks sale, given that the Dong-A ship was also 6 years old when she was reported sold end of 2021.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Nordic Passat	164,274	2002	Samho	-	$15.50m	
Nordic Grace	149,921	2002	Samho	-	$15.00m	
Maersk Tokyo	49,687	2016	Sundong	Permuda	$31.00m	

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