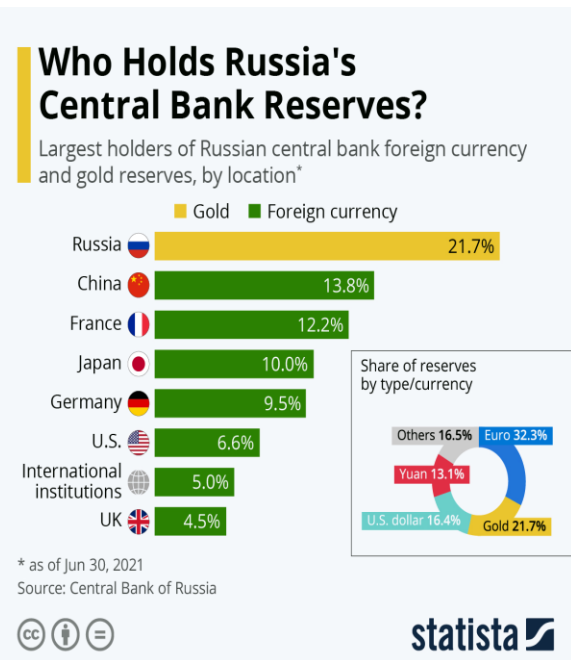
4 March 2022

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

CONTENTS

… Mixed Bag of Vulnerabilities …



Source : Statista

POINTS OF VIEW

Thursday 24 February will go down in history as the day in which Russia invaded Ukraine, its western neighbour.* If Russia treats its friends like this, then what hope for its enemies? A 40-mile column of Russian armour and heavy equipment is moving slowly and unsurely towards Kyiv,^ threatening to raze it to the ground using siege tactics reminiscent of Aleppo and Grozny. The indiscriminate targeting of civilians will cause the Russian establishment and innocent civilians to reap the whirlwind of revenge attacks for many years to come to avenge the erasure of Ukraine's cities, buildings, monuments, culture and history. It is hard to imagine that we could reach this point. There seems to be no upside to invasion, but the downside risks and counter measures are unfolding day by day, one after another. Many Russian politicians, generals, troops and members of the public will be just as confused and anxious as outsiders. It is shaping up to be a big miscalculation as Russia's attempt at denying Ukraine's existence is being condemned around the world. But this only raises the prospect of escalation with Russia threatening to use tactical nuclear weapons while warning that the next world war will be nuclear. Putin has followed through on all his previous threats against Georgia, Crimea and Ukraine so his latest nihilistic threats have to be taken seriously.

Last Thursday, Brent was at $98 a barrel. Yesterday, it flirted with $120 intraday. BP has abandoned its nearly 20% $25bn stake in Rosneft, Shell is dropping $3bn in leaving Sakhalin 2 and Exxon is exiting all of its Russian investments valued at over $4bn. Centrica, the owner of British Gas, is cutting ties with Gazprom while Roman Abramovich, the owner of Chelsea Football Club since 2003, is cutting ties with the UK. Boeing will no longer supply Russian airlines with aircraft or parts and Apple will stop selling its products in the country. Other iconic global brands are doing the same such as Ford, Ikea, Nike and M&S while the household names of Levi Strauss, Coca-Cola and PepsiCo have yet to comment. Germany declined to certify Nord Stream 2 which denies that it has filed for insolvency. Germany will meet Nato's 2% of GDP target for military spending and will supply weapons to Ukraine, both major U-turns. The rouble is down about 40% against the dollar since invasion, interest rates have doubled to 20% and the European arm of Sberbank has been rendered worthless on the LSE, and then kicked out.** Russia's cash cushion of $500bn+ in FX reserves is largely inaccessible as various Russian banks have been blocked from the Swift global payments system.

Naturally, markets are rattled by the intensification of the Russian assault on Ukrainian cities and civilians and by today's shelling and seizure of Europe's largest nuclear power plant, at Zaporizhzhia in southeast Ukraine. In financial markets, between 23 Feb and midday today, the UK's FTSE was down 6.3%, Germany's DAX was off 9.4% and the French CAC was 9.3% lower. The biggest loss was reserved for Russia's MOEX index, down 36% this year up to its suspension on 25 Feb. As for shipping markets, these have generally done OK in the two months since the start of this year, not least as freight is treated as a commodity, and the commodity complex is doing well on supply shortages and rising prices. On the dry side, the BDI is down only 6% this year, with the BCI down 30%, BPI off 3%, BSI up 17% and the BHSI up almost 3%. On the wet side, the BDTI is up 104% this year, from a very low base, while the BCTI is up 47%. On containers, the FBX index, covering a basket of twelve voyage routes, is up 4%. In terms of actual performance, indices based on TCEs are a better guide to earnings than those based upon voyage routes that have risen mainly due to higher bunker costs. Scrubber fitted ships are enjoying a $200+ spread between VLSFO & HFO prices.

All shipping sectors are in a state of turmoil with the Black Sea now a no-go area for most ships. Black Sea port closures are locking in oil, fertiliser, grain and other export cargoes, causing buyers to seek replacement shipments from further afield. For example, Egypt has turned to Australia for wheat, representing a big leap in ton-miles. The EU is tempted to embargo Russian oil and gas, which are financing its military campaign, but is mindful of the effect on energy prices and inflation. Russia is also a significant exporter of coal and wheat and embargoes on these will reveal a global shortage of everything based upon a lack of investment and Covid interruption to supplies. There are no easy political choices today.

*The NYT reported that, on 23 February, Microsoft's Threat Intelligence Center near Seattle picked up Russian 'wiper' malware targeted at Ukraine's government ministries and financial institutions.

Within six hours it had picked apart the malware that it named "FoxBlade" and notified Ukraine, the White House, the NSA, the EU and Nato. A welcome new take on public-private partnership.

^Apart from the mutiny and sabotage, it better resembles London's under-capacity and gridlocked M25 motorway: slow-moving and congested and prone to breakdowns and accidents.

**On Thursday, the London Stock Exchange booted out Sberbank, Rosneft, En+ Group, Norilsk Nickel, Gazprom, Lukoil and others. In all, 27 Russian-listed securities were suspended.

WEEKLY COMMENTARY

4 March 2022

HARTLAND
SHIPPING SERVICES

Dry Cargo Chartering

Uncertainty plagued the **cape** markets this week as levels remained relatively flat. Time charter averages ended up at $13,560 down by $466 from last week. This hesitation was reflected in the very few confirmed fixtures that came to light. In terms of iron ore voyage charters, we heard that Rio Tinto took at least three vessels for their usual Dampier-Qingdao trade for mid-March dates with freight prices ranging from $8.50-$8.90 pmt. Among them was the 2007-built MOL relet *London Courage* for 190,000 mtons 10% at $8.65 pmt although this deal was concluded last Friday. Additionally, we heard that FMG took a TBN vessel for 160,000 mtons 10% iron ore from Port Hedland to Qingdao for 16/18 March at $8.95 pmt. Average freight prices for Tubarao-Qingdao ended the week at approximately $23.60 pmt, while Tubarao-Rotterdam was just under $13.00 pmt. Again, little was reported in terms of coal, period, or TC fixtures.

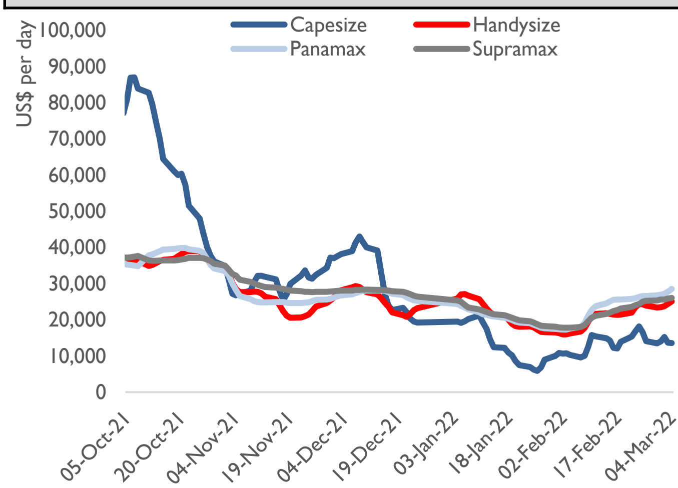
The **panamax** market continued to firm week as it closed at $25,061 up by $1,139 (4.76%) since last reported on 25th February. In the Pacific, Tongli fixed the *Movers 3* (91,765-dwt, 2002) delivery Taichung 28th February for a trip via Vanino with redelivery Taiwan at $22,000, the *Hua Yang Chuan Qi* (76,945-dwt, 2003) was fixed delivery Shanwei in DC basis 3/6 March for a trip via Indonesia to South China at $23,000 and the *Samoa* (75,506-dwt, 2010) was fixed delivery Singapore ½ March for a trip via Indonesia to WC India at $24,500. Alternatively, Cargill fixed *Medusa* (82,194-dwt, 2010) delivery in DC Kawasaki 1/10 March for min period 15 May / Max period 30 July 2023 with redelivery worldwide at $26,000. SAIL has covered a TBN vessel for 75,000 mtons 10% coal loading HPCT 20/29 March and discharging Visakhapatnam at $29.10.

Likewise, despite the news, gains were seen in the **supramax** market. This was driven almost exclusively by sentiment in the East, in particular due to the abundance of coal deals ex. Indonesia that were seen. Averages ended the week at $28,450, up by $1,863 from last week. In the Pacific, *Chang Hang Han Hai* (58,023-dwt, 2012) was fixed delivery Sanya for a prompt trip via Indonesia redelivery China at $29,500, while *Jin Xing* (55,300-dwt, 2007) was chartered for delivery Taichung again for an Indonesian round trip to Guangzhou at $32,000. Similarly, *Corinthian Emerald* (57,592-dwt, 2012) was fixed on Monday for the same trade mentioned beforehand with prompt delivery at just $24,000. Additionally, *Sea Virya* (56,512-dwt, 2013) was fixed delivery Bahodopi 3/4 March for a trip also via Indonesia to China $35,000. Over in the Indian Ocean, *Cheval Blanc* (56,732-dwt, 2009) was fixed delivery Durban for a prompt trip to Singapore-Japan range at $26,500 plus a $650k ballast bonus. Market softening and unpredictability meant little came to light in the Atlantic.

The war in Ukraine has fractured the market, some Owners now ballasting tonnage from the Atlantic to the Fast East, to collect backhaul cargoes at front haul rates. **BHSI** closed at $25,974 up $800 from last week, driven by the strong sentiment in the Asian markets. The Atlantic market was soft across, with some Owners & crew not willing to call the Black Sea. It was reported the *Banglar Samriddhi* (38,800-dwt, 2018) was attacked by a missile, killing one crew. *Alentejo* (36,041-dwt, 2013) fixed from Canakkale for an inter-Mediterranean trip at $19,250. On the Continent, a 32,000-dwt rumoured fixed from A-R-A-G range for a scrap trip to Turkey at approximately $16,000's per day. Rates started falling in the US Gulf, *Cielo Di Palermo* (37,059-dwt, 2013) fixed a trip to the Continent at $14,750 with Ultrabulk. *Fu Xing Hai* (38,801-dwt, 2016) fixed inter-US Gulf trip at $18,500 with Bunge. In South America, it was reported a 34,000 fixed Vila Do Conde for a trip to Norway at $23,500 aps with alumina to Berge Bulk. Further south in Brazil, *Lipsi* (35,066-dwt, 2011) fixed for a trip to Marmara Sea at $24,500 with Meadway. In Asia, *Nord Rio* (39,200-dwt, 2022) open Toyohashi rumoured to have been failed on subjects for a trip to Turkey at $50,000. A 28,000 open Taiwan fixed for a trip to Japan with Steels at $32,000. *Interlink Celerity* (38,762-dwt, 2017) open Huanghua fixed for a trip to the US Gulf-US East coast range at $46,000 to MOL. Period enquiry remained active in both Basins.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Medusa	82,194	2010	Kawasaki	1/10 Mar	WW	$26,000	Cargill	Min 15 May-Max 30 July 2023
Samoa	75,506	2010	Singapore	1/2 Mar	WC India	$24,500	Cnr	Via Indo
Elim Hope	75,106	2001	Putian	4/6 Mar	Singapore-Japan	$20,000	Cnr	Via Indo
Corinthian Emerald	57,592	2012	Taiwan	Ppt	China	$24,000	Cnr	Via Indo
Cheval Blanc	56,732	2009	Durban	Ppt	Singapore-Japan	$26,500	Cnr	Plus $650k BB
Hua Rong 3	56,567	2013	Kuantan	Ppt	China	$34,000	Cnr	Via Indo
Ansun	39,231	2019	Mindra	Ppt	S.E Asia	$30,000	Cnr	With steels
Lipsi	35,066	2011	South Brazil	9/14 Mar	Sea of Marmara	$24,500	Meadway	With pig iron
IVS Kingslet	33,132	2011	Onahama	Ppt	USWC	$43,500	Cnr	Via S.E Asia with containers
Gladiator	28,341	2008	Fukuyama	Ppt	WC India	$28,000	Cnr	Via China with steels



Exchange Rates	This week	Last Week
JPY/USD	115.41	115.57
USD/EUR	1.0924	1.1223

Brent Oil Price	This week	Last Week
US$/barrel	113.98	97.44

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	600.0	559.0
VLSFO	881.0	778.0
Rotterdam IFO	600.0	535.0
VLSFO	790.0	698.0

HARTLAND SHIPPING SERVICES

Dry Bulk S&P

The conflict in Ukraine is escalating. There is no obvious time frame of when and how it will stop. As a result the number of unknowns surrounding sanctions and absent Ukranian Black sea exports will affect world trade, not only in the Oil and Gas sectors but also across the dry bulk market. Ukraine & Russia are responsible for approx. 29% of global wheat exports, the majority of which is shipped relatively locally in and around the Mediterranean. Replacing these lost exports from further afield will add to tonne / miles however that leads to questions over how much of those missed exports can be sourced from further afield in the long run. For the short term though, stories of panamaxes loading grains in Australia for discharge in the Med add to a bullish outlook.

This week we saw the first Imabari post panamax vessel sold since July last year. The *Double Fortune* (95k-dwt, 2010 Imabari) is understood to have sold to Chinese buyers for $21m which allowing for her effectively being two years older represents a notable step up. Post Panamaxes generally trade at a discount to kamsars and perhaps seem by some as an attractive alternative given the larger dwt and lower price. Despite no sale going through, market rumours had a 2010 Japanese Kamsarmax seeing an offer in excess of $23m.

Meantime in the Supra sector there has been lots of activity this week, one sale was the Chinese owned, *Orchid* (56k-dwt, 2012 Mitsui) which we understand has now been sold for $22.6m basis delivery in March. The last done Japanese 56k dwt vessel sold was the two year older *TTM Phoenix* (56k-dwt, IHI 2010) which we reported last week as sold to German buyers for $18.5m. Chinese built supramax's are also on the move as some Buyers seek optimal 'value'. The sale of *Antero* (57k-dwt, Jiangsu Hantong 2011) being reported this week at $17.7m to Bangladesh based buyers. Last week we reported to exact sister vessels *Mandarin Grace* and *Mandarin Trader* (57k-dwt, Jiangsu Hantong 2011) which were both sold for $17m each. It is worth noting that the *Antero* is not due for drydocking until October 2024.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Double Fortune	95,790	2010	Imabari	Gearless	Chinese	$21.00m	
WP Brave	58,627	2012	SPP	C 4x30T	undisclosed	$18.00m	
Karimu	57,255	2010	STX	C 4x30T	undisclosed	$19.00m	BWTS fitted & on subs since January
Antero	56,892	2011	Jiangsu Hantong	C 4x30T	Bangladeshi	$17.70m	
Orchid	55,598	2012	Mitsui	C 4x31T	undisclosed	$22.60m	delivery in March
ES Mercury	32,248	2008	Kanda	C 4x31T	undisclosed	$15.30m	

HARTLAND SHIPPING SERVICES

Tanker Commentary

The sickening invasion of Ukraine by Russia is having a significant influence on energy markets. Before Europe takes the decision to wean itself off Russian energy, de facto embargoes are coming into place as Urals crude traded at a $18 discount yesterday, a record. The reality is that companies are suspending/avoiding Russian related businesses with roughly 70% of Russian crude said to "struggle to find buyers" and at ground level British stevedores are refusing to discharge Russian gas. Longer term, major oil and gas companies in the likes of BP and Shell have announced plans to exit Russian operations and joint ventures. Total said it would not invest further capital in its Russian operations. The oil market was already tight pre-invasion and reduced exports from Russia is going to add pressure on other producers. Under investment in US production means additional American supplies cannot be turned on like a tap. At the same time global petroleum inventories are depleting rapidly after having peaked during the first covid wave of 2020. According to the IEA, commercial oil inventories in the OECD countries are at their lowest level since mid-2014. Interestingly, the oil market is not acting as if we are in a supply crunch. Oil buyers are currently keeping a cool head with Sep-22 contracts tagged at $102 today, an indicator of confidence relating to availability.

And yet we see some vigorous numbers paid for VLCC's this week and others expecting offers next week. Is there an expectation that short haul Russian crude will be replaced by Middle Eastern crude and perhaps Tehran will be dragged out of isolation faster than anyone might have inspected?

The first modern VLCC transaction of the year has been reported. This sector of the market lacked recent waypoints and the reported $71m paid for *Landbridge Majesty* (308k-dwt, 2017 Dalian, non-scrubber) will reset the benchmark for younger tonnage. Elsewhere we are seeing a number of 2007 built VLCC's heading to Eastern buyers. Greek controlled, *My Way* (314k-dwt, 2007 NACKS) is reported to have sold to Chinese buyers for $35.5-36m. Ridgebury Tankers have offloaded *Naravin* & *Nautilus* (307k-dwt, 2007 Dalian) to Korean owners, Sinokor for $63.5m enbloc. Japanese controlled *Eneos Tokyo* (300k-dwt, 2004 IHI) will invite offers next week, with three Asian and two UAE based buyers rumoured to have bought the inspection report.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
My Way	314,020	2007	NACKS	Chinese	$35.50m - $36.00m	
Landbridge Majesty	308,206	2017	Dalian	undisclosed	$71.00m	
Naravin Nautilus	307,284	2007 2006	Dalian	Sinokor	$63.50m enbloc	
Erviken	152,146	2004	Samsung	Greeks	$15.50m	
Axel Sprit	115,392	2004	Samsung	undisclosed	-	
Neelambari	13,103	2010	Sekwang	undisclosed	$7.30m	BWTS fitted & Siloxirane

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Berge Arctic	174,285	2001	Daewoo	BULK	27,461.40	660.00	India
Harmony	35,966	1999	Daedong	TANK	8,356.00	653.50	Colombo

Should you have any queries about the content of this report or require any services of Hartland Shipping Services, please contact:

Hartland Shipping Services Ltd, London
Tel: +44 20 3077 1600
Fax: +44 20 7240 9603
Email: chartuk@hartlandshipping.com
Email: snpuk@hartlandshipping.com
Email: consult@hartlandshipping.com

Hartland Shipping Services Ltd, Shanghai
Tel: +86 212 028 0618
Fax: +86 215 012 0694
Email: newbuild@hartlandshipping.com

Hartland Shipping Services Pte. Ltd, Singapore
Tel: +65 6702 0400
Email: chartops.sg@hartlandshipping.com