27 May 2022

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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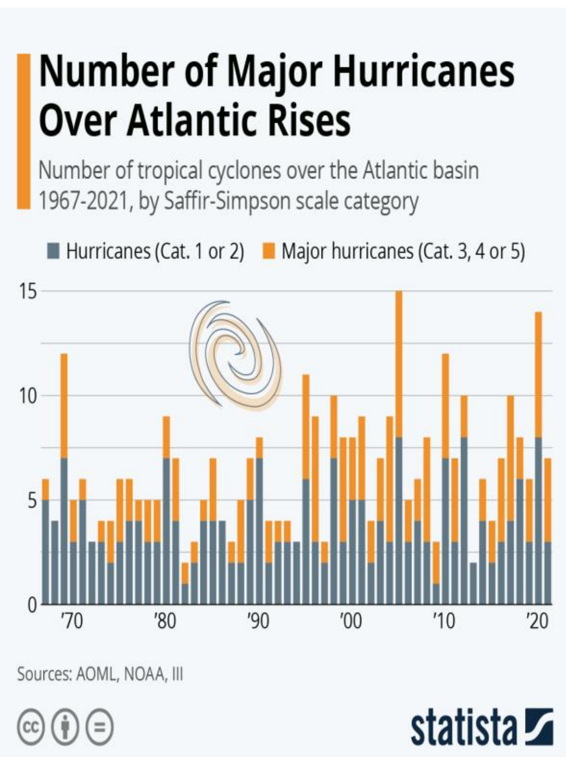

Source : Statista

*This relationship is already souring as Putin has become a liability, in asking for military and financial aid that will attract raised sanctions from the West, at a time of extreme Chinese economic weakness.

In 2021, China's real GDP growth was 8.1% with the IMF lowering its mid April forecast for 2022 to 4.4% and for 2023 to 5.1%. In mid May, Goldman dropped 2022 to 4.0% and Citi to 4.2%.

^For example, over 20mt of grains are shut in Ukraine as Russia blockades its Black Sea ports. Putin offered to open a 'safe corridor' for grain/fertiliser exports in exchange for an easing of sanctions.

**The economic cost, as recessionary forces emerge, may need an overhaul of the sanctions regimes against rogue states, as the only way to prick the bubble as we march towards a new world order.

POINTS OF VIEW

This week's World Economic Forum in Davos was hardly the back-slapping event of pre-Covid years. First, it started with a customary pugnacious address from President Zelensky of Ukraine. It would have made many attendees question whether they and their countries are really doing enough to stop the first war in Europe since 1945. Then, speaking at his annual dinner, George Soros claimed, as others have before him, that the Russian invasion of Ukraine may represent the start of a third world war. It has been bubbling away for some time as a struggle between open and closed societies, and between democratic and authoritarian systems. He said that Putin made a miscalculation in his move on Ukraine, now with a much more limited objective, but he is unable to pursue a ceasefire as he cannot be trusted. This will only lead to more errors and greater unpredictability. Soros warned that the world is heading for a global depression from China's real estate crisis and its goods export outages. Xi Jinping's zero-Covid policy and 'no limits' pact* with Putin's Russia risk economic calamity, domestic rebellion and, potentially, his failure to land a third term in November. Soros was particularly scathing of Angela Merkel for creating an energy import dependency on Russia and a goods export dependency on China. Those orientations long helped make Germany the best performing economy in Europe, until they stopped working. Solidarity is needed to make sanctions work and, within the EU-27, Hungary is preventing unanimous approval to ban Russian crude oil. Germany and Italy are inordinately dependent on Russian gas imports, so they will take longer to wind down their purchases. From the Russian side, Finland has just joined Bulgaria and Poland in being designated 'unfriendly' countries, and thus denied Russian gas.

Putin is clearly weaponizing Russia's exports of oil, gas, grains and fertilisers. Its significant marginal contribution of these commodities sees restricted supplies threatening twin energy and food crises around the world, and gives Russia the leverage to divide and bargain.^ Rising inflation, interest rates, commodity prices and protectionism are among the consequences. Inflation is being generated by a very patchy Covid demand recovery, intended and unintended energy supply restraints, global supply chain disruptions and port congestion, and weather affected harvests and high fertiliser prices that reduce crop yields. Higher interest rates are used to tackle inflation, with the US Fed flagging further 0.5% raises at each of its next monthly meetings as it tries, belatedly, to secure some future headroom after an 8.3% YoY rise in consumer prices in April. Protectionism and export duties are used to ensure a 'me first' policy, e.g. India's ban on wheat exports and Indonesia's curbs on palm oil exports, to stop domestic prices from rising too much. An ongoing concern for all markets, not just shipping, is the evolving situation in Ukraine: locked-in cargoes, new sanctions against Russia and questions over the availability and sourcing of alternative cargoes. Anecdotally, a reduction in available and alternative volumes is being better compensated by longer distances sailed, i.e. increased ton-miles, in wet than in dry. More anon.

We concur with a midweek note from Commodore Research that suggests, in shipping, we could be in for the Summer of our Lives. Consistent with India and Indonesia restricting exports, it seems entirely plausible that other countries will follow suit. Also, in our view, all countries will import food and energy resources beyond what they need for the foreseeable future. It is the equivalent of a run on banks or clearing the shelves in supermarkets, a switch to hoarding in times of uncertainty. It should apply to all cargoes that are needed, and maybe needed, ranging from crude oil and oil products to gas and LNG, and from grains and fertilisers to coal and iron ore. The shelves will be swept clean as hoarding replaces actual demand. Scarcities will be the driver and high prices no deterrent. The combined energy, food and cost-of-living crises will elevate anxieties and underpin wet and dry shipping requirements. It will not be pretty, and those with the sharpest elbows and deepest pockets will be the winners. Covid has not yet gone, monkeypox is spreading, a European war may still broaden, and global warming and its impact on climate change has become undeniable. The bid will be in shipping even in the context of a worldwide economic slowdown and plunging financial markets. Low and slow fleet growth will see tankers recover and bulkers continue to prosper in the usual chaotic and volatile style that we are used to.**

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Dry Cargo Chartering

A sizeable correction was seen across the **cape** markets this week as time-charter averages plummeted by a huge $14,165 to close play at $23,373. Poor weather in Brazil and South America was partially to blame as average freight prices along the Tubarao-Qingdao iron ore route fell from over $38.00 pmt on average last week to sub-$32.00 pmt by the end of this week. Despite this several fixtures did come to light including FMG taking at least four ships for 160,000 mtons 10% from Port Hedland to China with freight prices ranging from $15.35 pmt on Monday to just $14.00 pmt by midweek. The likes of Rio Tinto and BHP were also active on this route with the latter taking a TBN Newcastlemax vessel for a huge lifting of 190,000 mtons 10% for 9/11 June at $14.75 pmt. Additionally, a good number of completed coal deals were reported too. Among these was Vale fixing a TBN ship for 170,000 mtons 10% for 2/3 June at $10.50 pmt loading Teluk for Qingdao, as well as a Polaris vessel nominated for a Kepco tender for 150,000 mtons 10% from Richards Bay Coal Terminal to Hadong for 15/19 June at $28.00 pmt. Unfortunately, limited information was revealed in the way of T/C or period fixtures.

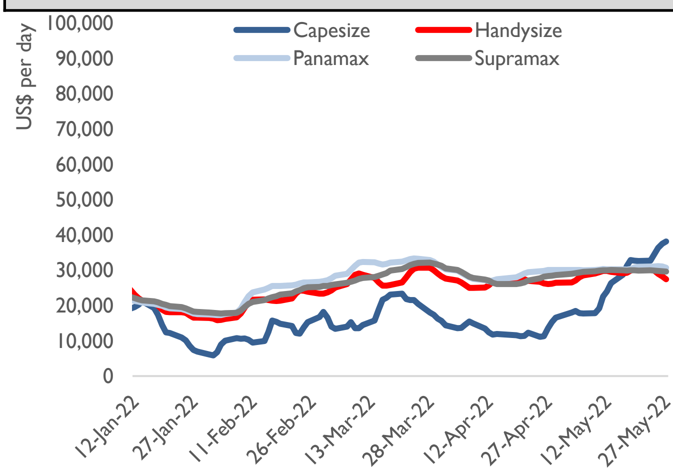
The **panamax** market took a dip this week as the P5TC closed at $27,431 down by $3,009 (-9.89%) since last reported on 20th May. In the Pacific, Oldendorff fixed the *Port Star* (82,177-dwt, 2012) delivery Hong Kong 3rd June for a trip via Australia to Vietnam at $31,000 whilst Klaveness took the *Seagem* (81,714-dwt, 2019) delivery Tachibana 26th May for a trip via NoPac with petcoke back to Singapore-Japan range at $30,400 and Cobelfret covered *Panagiotis* (80,717-dwt, 2010) delivery Lumut 24th May for a trip via Indonesia to Philippines at $32,000. Meanwhile in the Indian, ECTP took *GU Imabari* (76,619-dwt, 2009) delivery Tuticorin 28th May for a trip via EC South America to China at $32,000. In the Atlantic, Ming Wah fixed *Doric Armour* (81,800-dwt, 2018) delivery Rotterdam 28th May for a trip via US Gulf to Singapore-Japan range at $40,500 whilst Cofco took *Rosco Banyan* (74,967-dwt, 2010) delivery aps EC South America 5-8 June for a trip to Skaw-Gibraltar at $43,500 and Ultrabulk covered *Basic Victory* (82,457-dwt, 2021) delivery East Mediterranean 22-23 May for 2 laden legs to Skaw-Gibraltar range at $31,000. SAIL covered a TBN vessel for 75,000 mtons 5% of Coal loading Newport News 21-30 June and discharging Visakhapatnam at $53.15.

Another week of limited activity as the sentiment overall remained subdued. The **BSI** closed at $30,757 down $214 from last week's $30,971. From the Atlantic, fresh enquiry levels remained low due to the widespread European Holiday. *Swansea* (63,500-dwt, 2015) fixed for a trip with delivery Bremen and redelivery East Mediterranean via Tilbury at $24,500. *Docle Vita* (61,684-dwt, 2012) open Tema fixed for a trip to the Mediterranean at $36,000. From the Pacific, little prompt enquiry seen from the south and most requirement now being for June dates whilst further north, the backhaul and Pacific rounds also lacked fresh enquiry. *Nord Sound* (63,343-dwt, 2020) fixed for a trip with delivery Phu My and redelivery to West Coast India at $40,000. *Van Fortune* (56,847-dwt, 2009) fixed with delivery Map Ta Phuat and redelivery Chittagong for clinker run at $50,000. From the Indian Ocean, little came to light. *Arkas* (58,471-dwt 2012) open Mesaieed was covering a vessel for a trip via Arabian Gulf redelivery WC India at $33,000 plus $100,000 ballast bonus with petcoke. *Jal Kalpavriksh* (66,337-dwt, 2021) open Hazira was reported fixed for a trip via Arabian Gulf redelivery Beira with sulphur at $35,000.

Yet another week disturbed by a midweek national holiday, this time Ascension Day, halting business across Europe on Thursday with a feeling a few took the Friday off for good measure. The **BHSI** closed this week at $29,652 down $256 from last week. Overall Atlantic was flat, the biggest drop coming from the East Coast of South America. The Continent was steady, *Venture Breeze* (38,898-dwt, 2016) open Port Talbot failed on subjects for a trip to the Eastern Mediterranean with scrap at $22,500. The Mediterranean again remained steady, *Bronco* (28,218-dwt, 2014) fixed from Istanbul via Bourgas, redelivery Tunisia with Grains at $21,250 to Shield. A large handy fixed for a trip via the Eastern Mediterranean to West Coast South America with an intended cargo of steels in the mid to high $20,000s. Across the pond, the US Gulf decline was met with some fresh inquiry, subtly increasing sentiment in the areas. *Integrity Daido* (39,287-dwt, 2019) fixed basis delivery Norfolk for a trip to East Coast Mexico with Coal at $34,000 to Pioneer. Louis Dreyfus fixed the *Interlink Sagacity* (38,743-dwt, 2015) from the US Gulf to East Coast Mexico at $30,000. East Coast South America dropped rapidly with a build up of tonnage, leaving Owners wanting, as we approach the weekend. In Asia, flat in parts but overall, a positive sentiment felt across the board. A pickup of enquiry in Australia and further steels requirements into Southeast Asia, which stayed firm. In China, South Korea, and Japan a continued shortage of prompt tonnage allowing small improvements for owners. *Ammos* (28,219-dwt, 2011) fixed basis delivery CJK basis for a trip via China to East Coast India at $30,000 to Allianz Bulk. A 38,000 open China fixed for a trip to South Africa with an intended cargo of steels at $38,000. *Coreocean OL* (28,358-dwt, 2009) fixed delivery Mutsure for a trip via Australia to Continent at $31,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Kapta Dimitris A	82,577	2021	CJK	25 May	Koh Sichang	$32,000	ETG	Via Australia
Ocean Thyme	82,306	2014	Gibraltar	04 June	Skaw-Gibraltar	$29,500	Ultrabulk	Via NC South America
Doric Armour	81,800	2018	Rotterdam	28 May	Singapore-Japan	$40,500	Ming Wah	Via US Gulf
Panagiotis	80,717	2010	Lumut	24 May	Philippines	$32,000	Cobelfret	Via Indonesia
Rosco Banyan	74,967	2010	EC South America	05/08 June	Skaw-Gibraltar	$43,250	Cofco Agri	-
Swansea	63,500	2015	Bremen	26/02 June	East Mediterranean	$24,500	EMR	Via Tilbury
Dolce Vita	61,684	2012	Tema	23/25 May	Mediterranean	$36,000	Cargill	-
Van Fortune	56,847	2009	Map Ta Phut	26 May	Chittagong	$50,000	CNR	Via Kohsichang
Interlink Sagacity	38,743	2015	US Gulf	PPT	EC Mexico	$30,000	Louis Dreyfrus	-
Coreocean OL	28,358	2009	Mutsure	PPT	Continent	$31,500	CNR	Via Australia



Exchange Rates	This week	Last Week
JPY/USD	126.86	127.89
USD/EUR	1.0750	1.0552

Brent Oil Price	This week	Last Week
US$/barrel	117.65	112.26

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	669.0	675.0
VLSFO	1020.0	943.0
Rotterdam IFO	679.0	640.0
VLSFO	863.0	820.0

Dry Bulk S&P

A recurring theme with our dry reports this year have been the length of the sales tables. This week is no exception. There continues to be a large number of transactions. Both Buyers & Sellers believe there is plenty of value to be generated at present.

A number of Japanese owned vessels formally invited offers this week taking centre stage in discussions during the week. In part because proper market Japanese controlled vessels for sale haven't been so common in recent times. Japanese owners are generally choosing to fix ships out on period rather than sell on the open market.

Two kamsarmaxes invited offers, *Majulah Harbourfront* (81k-dwt, 2014 Tsuneishi Zhoushan) & *Capricorn Moon* (81k-dwt, 2015 Tsuneishi Cebu) both saw plenty of interest from across the globe. At the time of writing we understand *Majulah* has been committed for around 31.75m to Greek Buyers.

Greeks are also linked to the purchase of *Pavo Bright* (61k-dwt, 2017 Shin Kurushima) for 33.75m. More or less in line with the last done.

Despite wobbles in the paper markets, buying interest remains across the board and values continue to creep north.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Mount Nevis	177,005	2005	Namura	Gearless	Greeks	$20.50m	Scrubber fitted
Majulah Harbourfront	81,922	2014	Tsuneishi Zhoushan	Gearless	Greeks	$31.50m	
Darya Kirthi	80,545	2012	STX Offshore	Gearless	Greek	$26.10m	
Palais	75,343	2014	Jiangsu	Gearless	Chinese	$22.00m	BWTS fitted
Rosco Olive	74,951	2010	Sasebo	Gearless	European	$24.00m	BWTS fitted
Fortune Bell	61,397	2020	Shin Kurushima	C 4x31T	undisclosed	$39.00m	BWTS fitted
Pavo Bright	61,281	2017	Shin Kurushima	C 4x31T	Greek	$33.75m	
Xin Xiang Hai	56,111	2012	Mitsui	C 4x30T	Greek	$23.50m	BWTS fitted
Evans	53,507	2009	Zhejiang	C 4x35T	undisclosed	$16.20m	BWTS fitted
Crestone	53,406	2009	Zhejiang	C 4x35T	undisclosed	$16.20m	BWTS fitted
Cetus Star	33,773	2004	Oshima	C 4x30T	Chinese	$12.00m	BWTS due 08/22
Cassiopeia Star	32,328	2005	Naikai	C 4x30T	Turkish	$13.00m	BWTS due 09/22
Conception Light	32,256	2007	Kanda Zosensho	C 4x31T	Chinese	$16.00m	BWTS fitted

Tanker Commentary

Another week of positive sentiment around the market in the tanker sector. We saw the Baltic Exchange Clean Tanker Index reach double the levels it was at the start of the year this week and the highest level in over ten years on a quarterly basis according to Eastport Research & Strategy. Recovery is well underway and the prices seen are backing it up, none more so than Atlas Marine's, *Mitera Marigo* (105k-dwt, 2007 Sumitomo) which we saw sell this week. Despite being on the smaller side and not scrubber fitted, she still achieved a great price of $24.95m, which is a significantly higher price compared to last done sister vessel, *Banda Sea* (105k-dwt, 2007 Sumitomo) which we saw sell last month to Greek buyers for $20.8m.

Continuing on with the Bullish market the Greeks have been taking advantage of the crude oil markets and are now understood to be the largest movers of Russian energy over the past three months with Greece's Kalamata port emerging as a key area for Russian fuel export since the war began. With earnings continuing to increase we saw another major transaction this week with Norwegian Owners Hunter Group selling 4 of their modern 2020 VLCC's built in Daewoo to US based Owners, DHT for a big price of $95.5m each. Furthering this rumors of another big tanker deal this week have emerged with BP rumored to have sold 3 x 2016 built 45k dwt HMD's, 3 x 2017 built 39k dwt HMD's, 3 x 2016 built 39k dwt HMD's enbloc for $230m to Kmarin.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Hunter Idun Hunter Frigg Hunter Disen Hunter Freya	299,995	2020	Daewoo	DHT	$382.00m enbloc	
17 February	160,391	2008	Hyundai Samho	Brave Maritime	$46.00m enbloc	
Libya	159,233	2007				
Mitera Marigo	105,495	2007	Sumitomo	undisclosed	$24.95m	
BW Orinoco	76,580	2007	Dalian	undisclosed	$12.00m	SS/DD due in Q3&Q4
BW Lena	75,578	2007	Dalian	undisclosed	$12.00m	
Elektra	52,422	2012	GSI	Middle Eastern	$18.00m	DPP
Gold Ocean	37,320	2007	STX	European	$10.00m	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Aviator	18,957	2007	Japan	BULK	4,681.00	580.00	India
Niki	310,138	2000	S. Korea	TANK	40,711.00	undisclosed	Malaysia
Odyssey	164,286	2002	S. Korea	TANK	24,901.00	undisclosed	Pakistan
Mascot 8	107,261	1998	Japan	TANK	16,616.00	640.00	Singapore

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