6 May 2022

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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… Ukraine's Arming; China's Self Harming …

[Source : Statista](#)

POINTS OF VIEW

As many observers had anticipated, the Fed has found itself behind the curve having been accommodative for too long. It has now been ambushed by events and this week it raised base rates by 0.5% to 1.0% and warned of a series of 0.5% rate rises to come, as well as a rotation from quantitative easing to quantitative tightening. This is a lot to take in all at once, but the Fed thinks that the economy is strong enough, and corporate and household balance sheets resilient enough, to absorb higher borrowing costs. It would say that, wouldn't it? Before Russia's invasion of Ukraine on 24 February, we were already facing supply constraints as erratic meteorological activity that gave us flooding, drought, fires and hurricanes has been joined by strikes, illness, absenteeism, lockdowns, embargoes, sanctions, sabotage, hunger, disease and man-made destruction. These impediments affect the production of essential raw materials ranging from grains, oilseeds and rice to oil, iron ore, copper and coal. We actually have all the components of the Four Horsemen of the Apocalypse right here, right now: Pestilence, War, Famine and Death. Surely, it can only get better? Not before we suffer another eight months of turmoil as markets adjust to these supply constraints and upended trade flows, as well as surging prices, interest rates and taxes. We face the biggest fiscal and monetary shocks in more than 20 years as the Fed and other central banks use their depleted toolboxes to suppress demand to bring it into line with impaired supply realities. A self-imposed slowdown may be the means by which the Fed brings US inflation down from its current steamy rate of 8.5%. Fasten your seat belts as we work our way through disruption and change for the rest of this year.

However, one person's supply problem is another one's benefit. Unusually low levels of ordering of ships, until quite recently, gives us a 2-year window in which net new supply will be at the lowest levels in the past 30 years. This should be a gift to ships and their owners as freight rates will rise and asset values follow. The only fly in the ointment is the lack of seaborne cargo at the margin, through no fault of demand. In the worst case scenario, a slow restoration of dry and wet commodity output and seaborne flows will snuff out the great opportunity that limited near-term ship supply has given us. The main culprits for interrupting demand are Covid, already well documented, and Ukraine, a situation that is unfolding and escalating rather too fast. Next Monday, on 9 May, we wait to see how Putin will commemorate the 77th anniversary of 'Victory Day', the day in 1945 upon which the Russians defeated the Nazis, fearing he may declare all-out war on Ukraine and call up reservists. In an article in The Times last Saturday, entitled "Has Russia already started World War Three?", Peter Frankopan points out how robust, and maybe careless, statements by senior allied politicians have been interpreted by Russian news channels as evidence that Russia and the West are at war, using Ukraine as a proxy.* Fiona Hill, a former senior official on the US National Security Council, when asked on Sky News if a possible new world war was far-fetched, replied: "We're already in it. We have been for some time."

The risks of escalation are real and they create a fog of uncertainty with the economic and trade effects phasing in as sanctions are gradually rolled out. If the war in Ukraine were to end, if China stops locking down, if the weather were to become less inclement, then we may gradually normalise commodity supplies. This will damp down prices and inflation and provide some relief to stretched households and governments. This might only be achieved by several consecutive quarters of negative growth this year, i.e. self-induced recession to suppress demand, as opposed to China's self-imposed slowdown to suppress Covid. If all this can be shaken out of the system by the end of this year, then we could be well set for 2023 in all the main shipping sectors. It is not as if we are doing all that badly right now, as shipping can detach itself from the global economy with its own unique supply and demand fundamentals, whatever they are. Both bulkers and containers have dipped, but look set for a rebound, while tankers are slowly emerging from the bottom of the barrel. The divergence from landlubber economies is evident in a sample of changes in 5-year old ship values since start 2021, the dawn of Covid. A 37K handysize bulker is up 93% from \$14.8m to \$28.5m; a 51K MR is up 25% from \$26.0m to \$32.5m, and a 2,750-teu boxship is up 159% from \$22.0m to \$57.0m. Enough said, and there is more to come.

*Liz Truss, UK foreign secretary, talked about the Western allies pushing Russians out of "the whole of Ukraine" and Lloyd Austin, US Secretary of Defence, talked about "weakening Russia."

The article also mentions that, according to the Centre for Research on Energy and Clean Air, the EU has spent €43bn on Russian energy imports since the invasion on 24 February, propping up Putin.

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Dry Cargo Chartering

This week saw a sharp rise across **cape** markets in spite of Labour Day, Eid, and other holidays in the Far East. Time-charter averages gained an impressive $6,289 from last Friday to end up at $24,002. Few concluded deals came to light this week but among the iron ore fixtures we heard that Oldendorff chartered *CL Rhine River* for 185,000 mtons 10% for loading Tubarao to Qingdao at $29.00 pmt. Rio Tinto fixed both *Cape Brilliance* and *Amigo II* for 170,000 mtons 10% Dampier to Qingdao both for mid-May dates and at $12.05 pmt. On the coal side of things, Uniper chartered a TBN CCL vessel for 130,000 mtons 10% loading Newcastle for Rotterdam 25 May/3 June at $32.45 pmt, and a Kepco tender was covered by a TBN Five Ocean vessel for 135,000 mtons loading Newcastle for Hadong 25/29 May at $18.85 pmt.

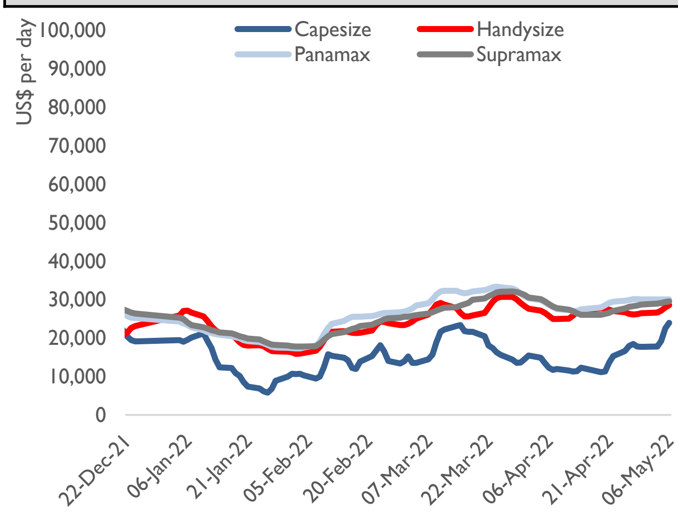
The **panamax** market firmed strongly this week as the P5TC closed at $28,572 up by $2,129 (8.1%) since last reported on 29th April. In the Pacific, Panocean fixed *Admiral Reiwa* (82,026-dwt, 2021, H.Glovis relet) delivery Dangjin prompt dates for a trip via EC Australia back to South Korea at $21,350, Cofco Agri covered the *Oceana* (81,594-dwt, 2014) delivery CJK 6-7 May for a trip via NoPac to China at $21,000 and Cofco Agri also took the *Graecia Nautica* (81,007-dwt, 2014) delivery Singapore 10th May for a trip via EC South America to Singapore-Japan range at $31,000. Meanwhile in the Indian, the *Star Mariella* (82,266-dwt, 2006, Scrubber Fitted) fixed delivery retro sailing Krishnapatnam 13th April for a trip via EC South America to Singapore-Japan range at $28,500 whilst D'Amico fixed the *Jag Amar* (82,084-dwt, 2017) delivery PMO 4-9 May for a trip to the Arabian Gulf at $31,500. In the Atlantic, Cargill fixed the *Kalliopi L* (76,529-dwt, 2001, Bunge relet) delivery Brest 10th May for a trip via NC South America to Singapore-Japan at $34,000 as well as taking the *Gleamstar* (75,491-dwt, 2011) delivery passing Gibraltar 10-11 May for a trip via NC South America to Singapore-Japan range at $33,500. Alternatively, this week Cobelfret fixed the *Aljazi* (80,618-dwt, 2020) delivery Zhangjiang 1-3 May for about 8 to about 10 months with redelivery worldwide at $30,100 with scrubber benefit to the charterers. Kepco Tender covered a Wooyang TBN vessel for 75,000 mtons 10% coal loading Balikpapan 17/21 May and discharging Hadong at $12.42 pmt.

Some negative sentiment was observed due to the wide-ranging holidays but despite this, the **BSI** closed at $30,024 down only ever so slightly from last week's $30,074. From the Atlantic, South America displayed a small reduction in levels due to a shift between tonnage and enquiry. However, the US Gulf continued to see a much improving outlook for trips to the Continent and Mediterranean with higher rates. *Cooper Island* (57,964-dwt, 2014) was fixed for a prompt trip with delivery Tarrangona to Lagos for a gypsum run via Garrucha at $30,000. *Red Sakura* (60,245-dwt, 2017) was fixed for a prompt trip delivery Brazil to the US Gulf at $42,000. From the Pacific, limited fresh cargo flowed from Indonesia and further north again due to holidays. *Vanna* (63,328-dwt, 2015) was fixed for a trip with delivery Dalian and redelivery Mediterranean at $40,000. *Busan Star* (57336-dwt, 2011) was fixed for a trip with delivery Singapore and redelivery India via Indonesia at $31,000. From the Indian ocean, a subdued week with Eid celebrations underway but the Arabian Gulf and West Coast India region showed signs of positivity. *Nemea* (61,300-dwt, 2015) was fixed for a trip with delivery Cape Town to China at $28,500 plus a $850,000 ballast bonus. *Medi Norfolk* (60,384-dwt, 2019) was fixed for a prompt trip with delivery Chittagong and redelivery WC India via EC India at $28,000.

The **handy** indices finished at $29,516 this week, up $837 from last reported. A quiet week in both basins with little reported but the optimism is there particularly in the Pacific. The Pacific had a flat week but the sentiment is improving as Eid holidays are concluding. Round voyages are paying mid $20's on time-charter. There is period appetite, a 32-dwt logger could earn around $30k for 3/5 months. Back hauls to the Med with grains are still paying a premium at high $30s (and even more for project/steels cargoes.) The Atlantic has various hot spots but with various weaker areas namely the East Med/Black Sea the market will remain at these levels for the foreseeable. From the US Gulf *Sea Fortune* (36,9,82-dwt,2018) fixed delivery SW Pass prompt for a trip redelivery EC Mexico at $40,000, the charterers were K Line. However, rates from the East Med back to the Americas are half of this, *TBC Progress* (32,306-dwt, 2012) concluded at $19,000 basis delivery Haifa for a trip to ECSA.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Jag Amar	82,084	2017	Passing Muscat Outbound	04/09 May	Arabian Gulf	$31,500	D'Amico	-
Admiral Reiwa	82,026	2021	Dangjin	PPT	South Korea	$21,350	Panocean	Via EC Australia
Capetan Costas S	81,542	2012	Bordeaux	03/04 May	Skaw- Passero	$28,500	CNR	Via NC South America option EC South America
NS Hangzhou	77,834	2004	Tianjin	04/06 May	Singapore-Japan	$19,000	Ming Wah	NoPac
Gleamstar	75,491	2011	Passing Gibraltar	10/11 May	Singapore-Japan	$33,500	Cargill	Via NC South America
Vanna	63,328	2015	Dalian	11/14 May	Mediterranean	$40,000	Chinaland	Via N China
Red Sakura	60,245	2017	Brazil	PPT	US Gulf	$42,000	CNR	-
Cooper Island	57,964	2014	Tarrangona	PPT	Lagos	$30,000	UltraBulk	Via Garrucha
Busan Star	57,336	2011	Singapore	08 May	India	$31,000	CNR	Via Indonesia
Sea Fortune	36,982	2018	SW pass	PPT	EC Mexico	$40,000	K Line	-



Exchange Rates		This week	Last Week
	JPY/USD	130.36	130.11
	USD/EUR	1.0579	1.0526

Brent Oil Price		This week	Last Week
	US$/barrel	112.27	110.26

Bunker Prices ($/tonne)		This week	Last Week
	Singapore IFO	775.0	765.0
	VLSFO	874.0	862.0
	Rotterdam IFO	643.0	620.0
	VLSFO	846.0	850.0

Dry Bulk S&P

There is a sense of anticipation about the dry sector this week as we wait for the holiday season to finish and many of the world markets to come back. Despite this we have still seen a decent number of sales reported this week.

We start with the Chinese owned Tier II Post Panamax, *Hong Guang* (93k-dwt, 2012 Cosco Dalian, SS/DD passed) which we understand to have been sold for $23m. This week we also saw the two SITC Owned Panamax's sell enbloc, *SITC Lushan* & *SITC Zhoushan* (76k-dwt, 2013 Zhejiang Yangfan, BWTS fitted) for $44 m. Similarly at the beginning of last month we saw *Rio Tinto* and *Rio Tamara* (75k-dwt, 2014 Taizhou Kouan) sell for $22.5m each.

There were a few older supra sales this week most notably the German owned *Therese Selmer* (55k-dwt, 2006 Mitsui, SS/DD passed, BWTS fitted) which saw mid $17m basis delivery July/August. The year younger sister vessel *Hai Long* (56k-dwt, 2007 Mitsui) was sold back in mid March for $16.25m to Chinese buyers, once again showing the increasing earning power in the dry market.

The handysize sector is still proving to be very strong with the *Ionic Huntress* (34k-dwt, 2012 Dae Sun, Surveys due) being sold to clients of Janchart for $19m. The same Owners sold the exact sister, *Ionic Halo* (34k-dwt, 2012 Dae Sun) at the end of march for the same price $19m however it is worth noting in this sale the surveys were passed and the vessel was BWTS fitted thus showing an slight increase on last done.

Finally *Zeus IV* (32k-dwt, 2009 Hakodate) went for Auction this week, after the initial buyer failed to pay the deposit she was eventually sold to the under bidder at $15.8m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Hong Guang	93,025	2012	COSCO Dalian	Gearless	Turkish/Ukrainian	$23.00m	SS/DD passed
SITC Zhoushan SITC Lushan	76,195 76,132	2013	Zhejiang Yangfan	Gearless	undisclosed	$44.00m enbloc	BWTS fitted
Jin Bo	56,709	2012	Qingshan	C 4x30T	Chinese	$16.60m	Auction
Asian Champion	56,562	2012	COSCO Zhoushan	C 4x30T	undisclosed	$19.20m	
Therese Selmer	55,682	2006	Mitsui	C 4x31T	undisclosed	$17.50m	SS/DD passed, BWTS fitted & delivery in July/August
AM Ocean Pride	53,553	2003	Iwagi	C 4x31T	Chinese	$14.25m	
Eredine	39,855	2014	Chengxi	C 4x36T	North American	$24.50m	Logs & BWTS fitted, delivery in July
Ionic Huntress	34,062	2012	Dae Sun	C 4x30T	Janchart	$19.00m	Surveys due
Zeus IV	32,165	2009	Hakodate	C 4x30T	undisclosed	$15.80m	Auction, sold to under bidder
Irongate	28,316	2015	Imabari	C 4x31T	undisclosed	$18.00m	delivery in September
Meray Glyfada	28,471	2002	Kanda	C 4x30T	undisclosed	$10.00m	BWTS novated

Tanker Commentary

This week has seen rates improve, particularly in the products markets. Ongoing Covid lockdowns in China coupled with the further clamping down on Russian oil continues to affect trade flows, with the Atlantic and Med prospering in particular.

Maersk Tankers have sold their *Maersk Messina* (48k-dwt, 2009 Iwagi) for $16.5m, with dry docking due next month - a firm price when comparing it to the last pumproom MR2 sold which was *Prime Express* (46k-dwt, 2010 Shin Kurushima) that went for $16.2m earlier this year. Note that this was a year younger and had better survey positions, suggesting pricing for MR2's is moving up against this weeks sale.

In the chemical tanker segment, a series of 33k dwt Stainless Steel tankers have found new owners; *Genuine Hercules* (33k-dwt, 2012 Kitanihon), *Genuine Venus* (33k-dwt, 2013 Kitanihon) and *Genuine Galaxy* (33k-dwt, 2013 Kitanihon) have been sold for $24.5m and $25.8m for the 2012 and 2013 built respectively.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Maersk Messina	48,056	2009	Iwagi	undisclosed	$16.50m	
Genuine Galaxy	33,591	2013				
Genuine Hercules	33,559	2012	Kitanihon	undisclosed	$76.10m enbloc	STST & BWTS fitted
Genuine Venus	33,552	2013				

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