10 June 2022

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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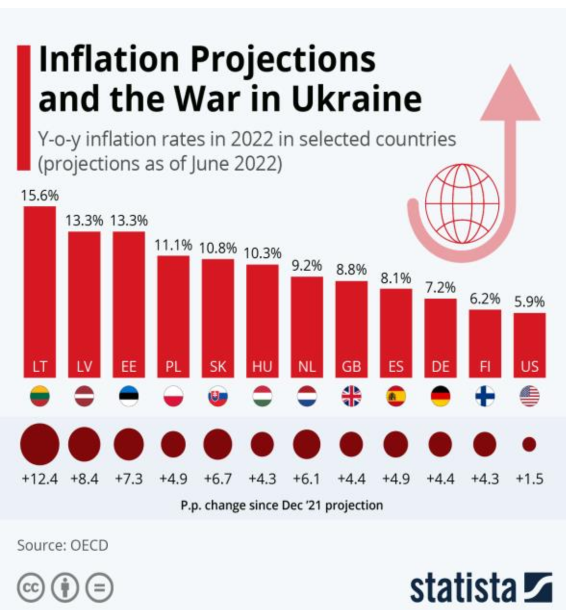
… Look Who's Back …



[Source : Statista]

*This covers cargo insurance, tanker hull and machinery insurance and protection and indemnity cover, phased in over 6m+ in line with the EU's phasing out of Russian oil imports to 90% by end 2022.

^President Zelensky warns that 20-25mt are locked in Ukraine by Russian naval blockade (and by its own mines designed to deter an amphibious attack). These grains have no exit via Black Sea ports.

Grains are rotting in silos and on ships and urgently require a safe export corridor. In August, the next harvest may have nowhere to go and see the total exposed to ruin rise to 70-75mt by year's end.

For context, UA seaborne grains exports were at 50mt in 2021, 10% of world total, estimated to fall to 12mt in 2022. RU grains exports are unaffected, 29mt in 2021, as its Black Sea ports remain open.

Africa is dependent on UA & RU for 40% of its wheat imports, of which Tanzania 60%, Egypt 80% and Somalia 100%. UA & RU exported 15% of a total of 523mt global seaborne grains in 2021.

Zelensky said that the conflict had accounted for 14,000 UA military and civilian deaths in the first 100 days. In contrast, 14 million people are on the brink of starvation in the Horn of Africa alone.

POINTS OF VIEW

The Russian invasion of Ukraine on 24 February brought the US out of isolation and papered over the cracks in the EU and Nato. More recently, the fissures have reappeared with all signs of weakness being ruthlessly exploited by Putin. The EU failed to get unanimous approval for a ban on Russian oil imports with Hungary being the sole holdout in the EU27. Landlocked Hungary, the Czech Republic and Slovakia can continue buying pipelined Urals crude from Russia on the Druzhba pipeline. In theory, Hungary can buy this crude at a 30% discount to spot prices, refine it, and then supply it to Europe at a profit. Indian and Chinese refiners, which can also handle sour high sulphur Urals crude, attracted to the Urals (30%) and Espo (20%) discounts, can buy Russian feedstock and sell the refined products back into Europe. All good for tankers. The EU sought to block the sale of its abandoned Russian oil to the likes of India and China by withdrawing insurance and reinsurance on Russian oil shipments, phased in by 2023.* In the meantime, Dmitry Medvedev, former Russian president and Putin No.2, pledged state guarantees to replace commercial cover of seaborne oil exports and the tankers that carry them. The buyers are also big and resourceful enough to find their own insurance solutions, especially as the discounts wipe out the oil price rises of the past year, but more will be needed. Neither the EU nor Russia have outlined the specifics of how their respective withdrawn and replacement insurance will work, leaving underwriters and lawyers scratching their heads. Sanctions came in for criticism at Posidonia this week, even eliciting a defensive statement from the EU.

Sanctions and tariffs impose restrictions on trade, asset ownership and freedom of movement. They are not a logical part of any democratic system, having more the flavour of autocratic overreach. Arguably, in alphabetical order, the four biggest sanction victims today are Iran, North Korea, Russia and Venezuela – all 'autocracies' – while the biggest sanction imposers are Europe, the UK and the US – mainly 'democracies'. Thus, we have this polarisation between sanctioned autocracies and sanctioner democracies, a schism that has widened since 24 February as nations are compelled to take sides. Before the invasion, the world was already suffering a shortage of wet and dry commodities. Post invasion, the situation has become much worse, and yet we are still in the self sanctioning stage as more complete rollouts will only phase in over six months or so. Given how much commodity prices have already risen, we must expect even more as the vice tightens, because supply side responses usually take time. This means even higher prices, inflation running hot, rising interest rates and economic hardship on those with debt and paying taxes, i.e. almost the whole world. For JP Morgan's Jamie Dimon, storm clouds are already turning into hurricanes, an opinion shift in just two weeks since the World Economic Forum in Davos. We have the demand creation of lockdown easing and pent-up spending going head-to-head with the demand destruction of inflation and a cost-of-living crisis. Which will prevail?

Going back to Russia. It is the EU's intention to prevent the reimport of banned Russian oil that is processed in third countries in an attempt to thwart refiners in Hungary, UAE, India and China. But, given the woeful track record of western enforcers in blocking oil flows from sanctioned Iran and Venezuela, they may have little to worry about. Where there is a will, there is a way, especially if it brings outsized financial rewards. The ingenuity and creativity of sellers, shippers, buyers and midstream operators cannot be underestimated. However, if sanctions have indiscriminate effects, then what is the point of them? Targeted sanctions against one country, Russia, are causing as much or even more pain among the enforcer nations as prices of banned commodities rise. The collateral damage spreads to all countries who become unwitting victims of sanctimonious western policy, with the poorest ones paying for it in lives as well as in dollars. The WFP is talking of a looming humanitarian crisis as vital Ukrainian grain exports disappear from the market.^ Backfiring sanctions will alienate the very countries that were corralled into supporting them, as well as the entire rest of the world. India and China have already sided with Russia, and will continue buying Russian oil which is not in breach of EU sanctions. But, they wonder why the EU is still spending $1 billion a day on purchasing Russian oil and gas. Put politely, a paradox. More immediately, western sanctions may cause a global recession. Is that what we really want?

HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

The BDI closed this week at 2320. Rates seemed to soften across the cape markets as the week drew to a close. Time-charter averages were down $4,609 from last reported to end up at $19,655. We saw a few iron ore fixtures this week, among them Rio Tinto covered the 2010-built Great Jin as well as a TBN vessel for 170,000 mtons 10% from Dampier to Qingdao for 20-23 June at $12.95 and $12.85 pmt respectively. Whilst FMG covered two cargoes both on TBN vessels for 160,000 mtons 10% from Port Hedland to Qingdao for 19-20 and 20-22 June at $12.93 and $12.90 pmt respectively.

The panamax market also continued to weaken this week as the P5TC closed at $23,662 down by $2,001 since last reported. In the Pacific, Oldendorff fixed Majestic Star (81,878-dwt, 2020) delivery Dalian 14-15 June for a trip via Australia to India at $23,000. Meanwhile in the Indian, Bunge took Tolmi (81,816-dwt, 2022) delivery PMO 5-6 June for a trip via ECSA to Singapore-Japan range at $30,750. In the Atlantic, Bunge covered Golden Amber (74,753-dwt, 2017) delivery La Coruna prompt dates for a trip via NCSA back to Skaw-Gibraltar range at $20,000 whilst Acturus (76,397-dwt, 2001) fixed delivery passing Passero 5th June for a trip via Brazil back to Passero at $22,500.

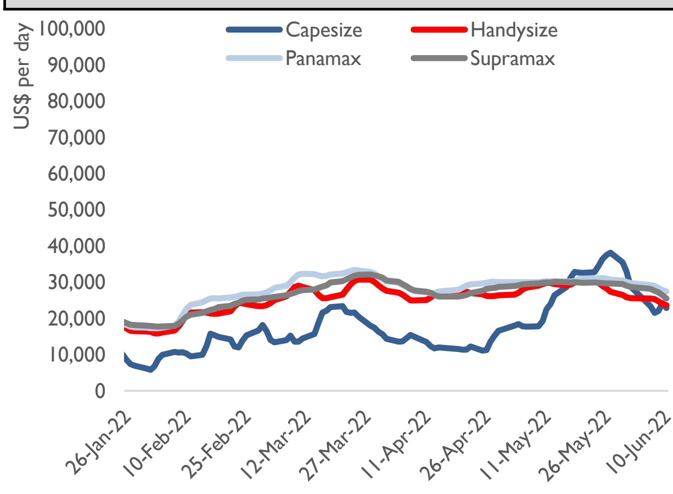
The BSI closed at $27,440, down from last week's $29,259. Despite a return for many after a widespread holiday, visible activity remains limited. From the Atlantic, level in US gulf continued to soften for both transatlantic and front haul business. The Doric Trident (57,859-dwt, 2016) was fixed for a trip with delivery SW Pass and redelivery Mediterranean for petcoke run at $38,000. From the Pacific, the south again lacked interest as rates eased, some charterer taking time to review the market after an extended weekend. The LS Ocean (56,976-dwt, 2009) was fixed for a prompt trip with delivery Singapore and redelivery China at $25,500. The Zhe Hai 526 (57,226-dwt,2012) was fixed for a trip with delivery Ningde and redelivery China with nickel ore at $26,500. From the Indian Ocean, level remain high as owners were not keen on this direction due to limited iron ore export from India and upcoming Monsoon season. The Desert Spring (57,437-dwt,2012) was fixed for a trip with delivery Tuticorin and redelivery WC India at $21,000 for North of Mumbai or $24,000 for South of Mumbai.

A week again slowed down by yet another shipping related party, this time in Greece, Posidonia. The BHSI closed this week at $25,509 down from last week at $28,812.Market rates took a dip, with little positive to report within the Atlantic. On the Continent, CH Clare (33144-dwt, 2010) fixed delivery Dunkirk for a prompt trip, redelivery Morocco at $20,000 with Nova Marine. Maria H (34,938-dwt, 2014) fixed delivery Rouen for a trip into Tunisia with grains at $17,000 to Lauritzen. In the Mediterranean, Intra-med fixtures were being fixed around 19,000 USD per day. Seastar Titan (30,439-dwt, 2009) fixed delivery Canakkale to the US Gulf with minerals for $19,000 with BAI. The US markets cooled, with limited fresh inquiry, Seastar Explorer (34,569-dwt, 2012) rumoured on subs, basis arrival South-west pass for a trip redelivery east coast Mexico with Grains between $13-14,000 to Pacific Basin. A 33,000-dwt fixed from the US Gulf to Morocco at 16,000 USD per day. East coast South America continued to fall, drowned by a long list of tonnage and very little spot cargo to ease the pressure, Bunan Infinity (37,654-dwt, 2016) fixed delivery Vitoria for a trans-Atlantic trip to Rotterdam at $27,000 with Ultrabulk. Penelope T (32,377-dwt, 2011) fixed from Recalada for a prompt trip into west Africa at $29,000 with Nova Marine Carriers.

Levels have dropped another margin for the handysize vessels in the Pacific. In the north, NoPac remained quiet, backhauls and reposition cargoes barely holding the levels up. We heard a 32k-dwt ohbs open South Korea fixed 34k for trip into uswc, a 5k drop from last week. Further south, the market continued to suffer with thin aussie book and lack of south east asia cargoes. It was rumoured that MV San Fortune (35,666-dwt, 1999) open Thailand fixed and failed high teens for trip to fareast. MV Timaru Star(33,527-dwt, 2004)open Kuala Tanjung fixed 20k dop for trip to china. Little to report on the period side of things this week with owners holding out for higher levels.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Tolmi	81,816	2022	PMO	5/6 June	Singapore – Japan	$30,750	Bunge	Via ECSA
Green Kmx 6	80,890	2020	Brunsbuttle	8 June	Cont	$21,500	Oldendorff	Via USG
Lady Marite	76,529	2009	Bahudopi	PPT	Japan	$28,500	NYK	Via Indonesia
Acturus	76,397	2001	Passing Passero	5 June	Passero	$22,500	CNR	Via Brazil
Prodigy	76,117	2013	Antwerp	31May	Singapore – Japan	$31,000	CNR	Via EC South America
Nord Kitan	60,195	2017	Incheon	8/11 June	WC Mexico	$35,000	CNR	Via S.Korea
Doric Trident	57,859	2016	SW Pass	16 June	Med	$38,000	Nova Levantina	-
LS Ocean	56,976	2009	Singapore	PPT	China	$25,500	Fullinks	Via Indonesia
Bunan Infinity	37,654	2016	Vitoria	PPT	Rotterdam	$27,000	Ultrabulk	-
Zina	33,693	2012	Fazendinha	PPT	Morocco	$22,000	CNR	-



Exchange Rates	This week	Last Week
JPY/USD	133.88	129.94
USD/EUR	1.0546	1.0691

Brent Oil Price	This week	Last Week
US$/barrel	122.99	115.82

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	607.0	638.0
VLSFO	1137.0	1,112.0
Rotterdam IFO	640.0	648.0
VLSFO	970.0	855.0

Dry Bulk S&P

A week of festivities, meeting old friends and making new acquaintances has just finished in Athens. The first time in four years the event could happen due to scheduling and Covid. Unsurprisingly, there was a bit of a pause in the S&P markets with fewer sales to report.

Norden have committed two YAMIC kamsarmaxes, sister ships with different delivery dates, demonstrating the premium Buyers are prepared to pay for a prompter delivery.

The '04 *Prabhu Lal* (52k-dwt, 2004 Tsuneishi) is widely reported sold at $16m. She is BWTS fitted and gives fairly prompt delivery. The price is fairly in line with the sale of *Hayama Star* (52k-dwt, 2006 Oshima), also BWTS fitted which achieved $17.2m earlier this month, also with August delivery.

Two similar dwt handies are also sold, one 38k Naikai for $23m and a Chinese built unit for $20m, a handy illustration of the premiums Japanese units can achieve.

Activity next week is likely to pick up as people return to offices around the globe.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Nord Luna	82,308	2020	Jiangsu Yangzi-Mitsui	-	undisclosed	$37.85m	August cancelling
Nord Lyra	82,318	2020	Jiangsu Yangzi-Mitsui	-	undisclosed	$36.50m	31st December cancelling
Sunny Horizon	56,686	2012	Xiamen	C 4x30T	undisclosed	$17.42m	Auction
Prabhu Lal	52,491	2004	Tsuneishi Fukuyama	C 4x30T	undisclosed	$16.00m	Delivery in August & BWTS fitted
Anne Mette Bulker	38,118	2012	Naikai	C 4x30T	undisclosed	$23.00m	
Adriatic Pearl	37,294	2012	Zhejiang Ouhua	C 4x30T	undisclosed	$20.00m	

Tanker Commentary

The positive effect on tone miles from Europe replacing Russian oil with alternatives is likely to keep rates buoyant for the foreseeable future. This will be exaggerated later in the year as Europe aims to end it's dependency on Russian oil.

As the S&P market turned it's eyes to Athens this week, there has only been one notable tanker sale to report. BWTS fitted *Marvin Star* (157k-dwt, 2009 Hyundai Samho) is reported to have sold at auction for $26.4m to Stealth Maritime. There were a number of interests taking part in the bidding including Indian and Greek buyers. The last similar suezmaxes to change hands were *Libya* (159k-dwt, 2007 Hyundai Samho) and *17 February* (160k-dwt, 2008 Samsung) which also went enbloc for $46m to the same buyers last month.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Marvin Star	157,985	2009	Hyundai Samho	Stealth Maritime	$26.40m	Auction

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Smooth Sea 2	3,044	1983	Mitsubishi	TANK	1,096.00	Bangladesh	undisclosed

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