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Russia Makes More Money on Fossil Fuels Than One Year Ago

Daily Russian fossil fuel revenues in May 2021/May 2022 and components of change



Does not add up due to rounding and conversion from Euros on June 14, 2022
Source: Center for Research on Energy and Clean Air



statista

Source: Statista

POINTS OF VIEW

There are often unintended consequences of tentative actions. The imposition of western sanctions on Iran, Venezuela and Russia have raised fossil fuel prices at a time of scarcity due to lack of investment. IOCs and NOCs had been cajoled into switching to investment in renewables by governments, green parties, NGOs and political correctness. The almost forgotten about trade war between the US and China sees harmful tariff regimes remain in place, adding to inflationary pressures. The widespread and justifiable demonisation of Russia for its assault on Ukraine has brought it closer to Iran, Venezuela, India and China. The former pair because they benefit from higher prices for their 'illicit' hydrocarbon exports and the latter pair because they get to buy Russian oil at steep discounts to market. They are collectively united by the constant finger-wagging and moral rectitude of the West, despite anecdotal evidence of similar questionable behaviour in the past.

Realpolitik will see President Biden visit Saudi Arabia, a country that, seemingly only yesterday, he was going to turn into a pariah. In May, daily Russian revenues from fossil fuel sales were up 40% YoY even after accounting for lower volumes and price discounting. It was not intended that western sanctions would finance Putin's war machine. According to the FT, Russian businessmen are travelling in their droves to Tehran to learn how to get around sanctions, and they are very surprised to see western brands such as Apple, Bosch and Philips still on sale. It is thought that a vibrant goods smuggling corridor exists through northern Iraq and Turkey while Russian business refugees are said to have headed to Dubai and other UAE to continue their operations in the sun.* Thus, one can see a growing list of countries that are being united in their opposition to clumsy sanctions.

Central banks are behind the curve having been complacent about the strength and duration of inflation, and having been totally wrong-footed by the unexpected Russian invasion of Ukraine and its impact on already high and rising wet and dry commodity prices.[^] Now they need to step up rates with regular moves until they reach the right intensity to damp down inflationary forces. QE has flipped to QT as the punchbowl is removed, the music turned down and the lights turned off. This week, the Fed raised rates 75bps to 1.75%, the BoE raised 25bps to 1.25%, and the SNB lifted 50bps to -0.25%. These are token gestures. Much more energy will be needed as central banks aim to reduce demand and create better equilibrium. In different ways, they are copying Xi Jinping's tactics of self-induced slowdown, he to combat Covid-19 and they to tackle viral price and wage rises.

The IEA is forecasting China's crude oil imports to contract this year for the first time this century, falling 0.8% YoY to 15.4m-bpd. Not good for VLCCs.** But, we can thank our lucky stars that Xi chose this year to cool China's demand for oil, gas, iron ore and coal. Without that loss of pressure, China would have turned this year's cost-of-living crisis into a huge global meltdown. The IEA puts global oil demand at 99.4m-bpd this year, below 2019's pre-pandemic 100.4m-bpd but, next year, China will help drive demand to 101.6m-bpd which finally bodes well for the big tankers.^{^^} According to CRS, VLCC earnings in the YTD are at minus \$2,754 per day, the worst ever on records dating all the way back to 1990. Ironically, precisely because of input cost pressures, the price of a new VLCC in the past year has risen 22% from \$96m to \$117m, dragging up second-hand values with a 5-year old 10% higher YoY at \$77m. Losing on cashflow, but gaining on NAV.

Meanwhile, the US, EU and UK are divisive over the end 2022 ban on European insurance of ships carrying Russian oil. The idea is to stop EU-banned seaborne Russian oil merely diverting to buyers east of Suez. The EU enacted the insurance ban into law on 3 June, while Lloyds of London has yet to finalise a plan, and the US is concerned that such a comprehensive ban will shut oil out of the market, at a time of shortage, and drive oil prices even higher. The US favours a price cap on Russian oil sales to restrict Kremlin revenues, something Russia is already doing itself to stimulate Asian sales. In H2, up to 3m-bpd of formerly EU seaborne Russian crude imports could be lost to the market if Asian buyers cannot find a way to insure their carriage. Stock, commodity and shipping indices are in trauma as politicians try to punish Russia while holding their own hands over a flame.

*Dubai may be trying to rival Monaco, a place that Somerset Maugham referred to as a "sunny place for shady people."

[^]US consumer prices rose 8.6% YoY in May while in the UK they were up 7.8% YoY in April (latest reading).

**LLI reports 76% of China's crude imports are carried on VLCCs. In Jan-May '22, 195-220 VLs a month brought in 9.7-10.0m-bpd.

^{^^}IEA suggests supply will struggle to keep up with demand in 2023. OPEC's Apr '20 output cuts will be fully unwound by Sep '22.

Dry Cargo Chartering

Cape markets rallied and strengthened consistently this week as time-charter averages climbed \$5,121 to end up at \$24,776. Plenty of iron ore deals came to light including Pacbulk fixing a TBN Berge Newcastlemax for 180,000 mtons 10% loading Western Australia to Qingdao at \$12.20 pmt for 1 July onwards, TKS taking an unnamed vessel for the same stem size but from Saldanha Bay to Rotterdam at \$14.00 pmt 10/17 July, and Arcelor Mittal chartering a TBN Koch ship for 150,000 mtons 10% from Port Cartier to Kakogawa at \$40.20 pmt. On the coal front, Vale fixed *Nightwing* a Ssangyong relet built 2006 for 170,000 mtons 10% from Teluk to China at \$8.99 pmt for 20/21 June. Additionally, an MOL TBN vessel was chartered for 180,000 mtons 10% bauxite for Kamsar/Yantai at \$30.50 pmt. Charterers Enesol took *Mineral China* (171,127-dwt, 2003) delivery Navlakhi for a trip with chrome ore via RSA to China at \$35,000 a day, while Panocean fixed the CCL relet *Aquasurfer* (178,854-dwt, 2013) delivery Yeosu for a NoPac round-voyage at \$24,500.

The **panamax** market rebounded positively this week as the P5TC closed at \$25,757 up by \$2,095 (8.85%) since last reported on 10th June. In the Pacific, CL Linyungang (81,058-dwt, 2018) fixed delivery passing Kaohsiung 16th June for a trip via Indonesia to India at \$24,000, whilst lino covered Yangze 21 (82,122-dwt, 2012) delivery Tachibana 17-18 June for a trip via NoPac to Singapore-Japan range at \$25,000 and Yangze Navigation (82,027-dwt, 2019) was taken delivery retro sailing CJK 11th June for a trip via Australia to Japan at \$23,500. Meanwhile in the Indian, Sea Taurus (76,616-dwt, 2004) was fixed delivery retro sailing Haldia 6th June for a trip via EC South America to Singapore-Japan range at \$24,750, whilst Anna G (81,004-dwt, 2014) was covered delivery retro sailing Fujairah 12th June for a trip via EC South America to Singapore-Japan range at \$26,750 and Cofco Agri took Honor Star (76,939-dwt, 2007) delivery retro sailing Ennore 2nd June for a trip via EC South America to Singapore-Japan range at \$25,250. In the Atlantic, Bunge fixed Irene Madias (79,516-dwt, 2012) delivery Passero 17-20 June for a trans-Atlantic trip to Skaw-Passero at \$23,000, whilst Cofco Agri took loli (81,730-dwt, 2012) delivery aps EC South America 25th June for a trip via EC South America to Singapore-Japan range at \$25,900 + \$1,590,000 BB and Guo Yuan 28 (75,800-dwt, 2013) was covered delivery Gibraltar 17-18 June for a trip via NC South America with an option of EC South America to Singapore-Japan range at \$32,000. Alternatively, this week Norvic fixed MBA Giovanni (93,352-dwt, 2010) delivery Tianjin 20-25 June for 4-6 months with redelivery worldwide at \$22,000. SAIL covered a TBN vessel for

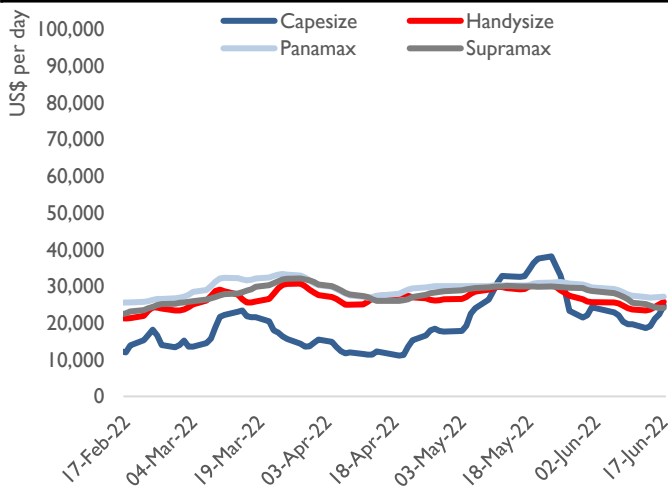
75,000 mtons 10% of Coal loading Gladstone 5-14 July and discharging Visakhapatnam at \$32.95.

Limited information flowed as both owners and charterers are still trying to ascertain the direction of the market after Posidonia. The **BSI** closed at \$27,139 down from last week's \$27,440. From the Atlantic, overall, it remained finely balanced, especially in key areas like East Coast South America. Down South, *Great Link* (63,464-dwt, 2016) sailing Conakry to Santos was fixed but no further details came to light. From the Pacific, a better flow of business was seen from the south with firmer rate discussed, however, some spoke of limited opportunities further north. *Adriane* (57,038-dwt, 2010) open Dafeng was fixed for a trip to South East Asia in the low \$20,000s. *Cardinal* (55,362-dwt, 2004) was fixed delivery Singapore for a trip via Indonesia redelivery China at \$29,000. From the Indian Ocean, limited activity seen, but South Africa market is improving along with *ecsa*. *Arch Sealtiel* (60,365-dwt, 2018) open Haldia fixed for a trip to West Coast India via Indonesia at an improved \$32,000.

The **BHSI** closed this week at \$24,691 down \$818 from last week. Despite the drop in the index, the week ended on a high, sentiment improving across both basins. A noticeable increase in cargo activity in the Pacific, whilst it is believed both the US Gulf and East Coast South America have bottomed out. On the Continent, *Nodus* (33,422-dwt, 2010) open North Spain heard fixed delivery Egypt for a trip to Brazil with fertilizers at \$14,000 with J Lauritzen. From Morocco, *Maritec* (33,345-dwt, 2009) open Casablanca fixed a trip to West Africa with fertilizers at high teens. In the Mediterranean, *Alliance* (33,755-dwt, 2012) open Piraeus spot fixed basis delivery Canakkale for a trip to Algeria at \$19,000 to Norden. Across the Pond, *Capetan Vasilis II* (34,468-dwt, 2010) fixed delivery Galveston for a trip to Castellon, Spain at \$16,000 with Pacific Basin. Western bulk fixed the *Palawan* (32,029-dwt, 2007) delivery South-West Pass for a trip to the East Mediterranean at \$15,000. In Argentina, *Adventurer* (32,417-dwt, 2011) fixed from Racadada to Liverpool at \$19,600 – with Cargill, expect these rates to start firming next week. Across to the Far East, *Lin Hai* (29,538-dwt, 1996) fixed delivery Longkou via North China, redelivery Pacific Gulf at \$24,000 to Auxin. *Jin Hai He* (44,591-dwt, 2014) open Singapore fixed a trip via Indonesia redelivery China at \$29,000 to Deyesion and 32k vessel fixed south Vietnam at 18,000 USD per day, for inter South-East Asia.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Aquasurfer	178,854	2013	Yeosu	22/25 June	Korea	\$24,500	Panocean	Via Nopac
Perly	81,886	2016	EC South America	19/25 June	Singapore-Japan	\$27,500	CNR	+\$1,600,000 bb
Irene Madias	79,516	2012	Passero	17/20 June	Skaw-Passero	\$23,000	Bunge	-
Guo Yuan 28	75,800	2013	Gibraltar	17/18 June	Singapore-Japan	\$32,000	CNR	Via NC South America option EC South America
Glory Loong	75,395	2005	Lisbon	10 June	Stade	\$20,000	Oldendorff	Via Kamsar
Desert Harrier	60,447	2017	Rio De Janeiro	ppt	US Gulf	\$33,750	Orca	-
Singapore Bulker	56,719	2012	Kohsichang	15/16 June	China	\$25,500	CNR	-
Em Sapphire	54,768	2009	Samalaju	18 June	CJK	\$28,000	CNR	Via Indonesia
Neptulus	33,706	2012	Antonina	15/25 June	Italy	\$22,500	Ace Shipping	-
Lin Hai	29,538	1996	Longkou	ppt	Arabian Gulf	\$24,000	Auxin	Via N. China



Exchange Rates	This week	Last Week
JPY/USD	135.14	133.88
USD/EUR	1.0468	1.0546

Brent Oil Price	This week	Last Week
US\$/barrel	114.74	122.99

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	630.0	607.0
VLSFO	1107.0	1137.0
Rotterdam IFO	638.0	640.0
VLSFO	915.0	970.0

17 June 2022

Dry Bulk S&P

Post Posidonia it is no surprise to see email traffic increase & activity pick up. Shipping stocks and shares have taken hits amid wider market sell offs and the Yen continues to depreciate against the Dollar leading to some speculation more tonnage may come for sale from Japanese owners. The Atlantic spot market has not had its best week however we hear more cargoes are coming on line and if arrangements can be made to ship the millions of tonnes of wheat tied up in Ukraine the Bulls would be out on parade.

The Singaporean owned *Orient Beauty* (76k-dwt, '05 Imabari BWTS Fitted) found a new home with Indonesian buyers this week in a quick deal at a price we understand to be \$17.25m, which is an extra quarter million more than the sister ship *Orient Prima* (76k-dwt, '05 Imabari BWTS Fitted) which they sold earlier this month at \$17m.

Three Japanese built supra's were rumored to have sold this week.

Iganzio (58k-dwt 2010 Tsuneishi Cebu) is understood to have gone to Chinese buyers at xs \$19m however we understand no report or photos were made available leading to questions around her last done sister back in March, *Atlantic Tulum* (58k-dwt 2010 Tsuneishi Cebu) which sold to Diamond Star Shipping for \$17.2m. We also understand Greek owned *Seven Lady* (51k-dwt '09 Imabari) has sold to Far Eastern buyers however at time of writing the price was currently undisclosed. Finally for the supras, *Vicjour Ace* (50k-dwt, '01 Mitsui, BWTS Fitted) we understand has sold for \$13.3m, similarly back at the end of April, *Doric Spirit* (52k-dwt 2001 Tsuneishi) sold for \$13 mill.

Several handies were sold this week including a modern unit from Japan. *Ansac Columbia* (38k-dwt, 2017 Shimanami, BWTS Fitted) which we understand has now sold for high \$27m which is a great deal for her European buyers.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Clemens Oldendorff	92,792	2012	COSCO Zhoushan	Gearless	UAE based	\$43.50m enbloc	
Constantin Oldendorff							
Majestic Sky	81,949	2014	Tadotsu	81,949	TMS	\$33.00m	BWTS fitted
Orient Beauty	76,598	2005	Imabari	Gearless	Indonesian	\$17.25m	BWTS fitted
Navigare Boreas	61,491	2016	DACKS	C 4x30T	undisclosed	\$29.00m	TC attached until Aug/Oct 23 & BWTS fitted
Iganzio	58,126	2010	Tsuneishi Cebu	C 4x30T	Chinese	\$19.00m	
Sagarjeet	58,079	2009	Tsuneishi Zhoushan	C 4x30T	Chinese	\$18.40m	
Vicjour Ace	50,000	2001	Mitsui	C 4x30T	undisclosed	\$13.30m	BWTS fitted
Ansac Columbia	37,993	2017	Shimanami	C 4x30T	European	\$27.75m	BWTS fitted
Canopus	28,515	2006	Shimanami	C 4x31T	undisclosed	\$13.00m	Delivery August/October

Tanker Commentary

Japanese owners invited offers on their *Koho I* (301k-dwt, 2001 IHI) recently, agreeing a price of \$29m with unnamed buyers - with surveys due later this year, it's no surprise a small premium (less than 10% above her residual value) was achieved.

Nordic American Tankers (NAT) continue to sell out older tonnage, as *Nordic Moon* (160k-dwt, 2002 Samsung) is reported to have changed hands for \$16m. This weeks transaction is in line with NAT's last sale, when *Nordic Passat* (164k-dwt, 2002 Samho) went for \$15.5m earlier this year - she had surveys due in August 2022.

In the MR segment, German buyers Leonhardt & Blumber have swooped on two MR tankers - *Cygnus* (51k-dwt, 2007 STX) and sister vessel *Sextans* (51k-dwt, 2007 STX) - for region \$15m each. The vessels have good survey positions but this is a firm price when looking at the last deepwell MR sold which was *Forres Park* (47k-dwt, 2009 HMD) that went for \$16.5m back in April. On the Pumphoom designs, *Celsius Richmond* (50k-dwt, 2010 Onomichi) has been sold to Turkish interests for \$19.5m, and Sellers of the zinc coated *Sabrewing* (49k-dwt, 2004 Naikai) agreed a price of \$9.5m with Chinese buyers.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Koho I	301,045	2002	IHI Marine	undisclosed	\$29.00m	
Nordic Moon	160,200	2002	Samsung	Wirana	\$16.00m	
PTI Sextans	51,215	2007	STX	Leonhardt & Blumber	\$30.00m enbloc	BWTS fitted
PTI Cygnus	50,218					
Celsius Richmond	50,083	2010	Onomichi	Turkish	\$19.50m	epoxy
HY Cedar		2023	Guangzhou	JP Morgan	\$152.00m enbloc	
HY Oak	49,600					
HY Ginkgo		2022				
HY Spruce						
Sabrewing	49,323	2004	Nakai	Chinese	\$9.50m	BWTS fitted & Zinc coated
Maersk Caelum, Seafarer, Navigator	45,999	2016	Hyundai	Greek	\$245.00m enbloc	Fully epoxy coated, Scrubber fitted & BWTS fitted
Maersk Altus, Cirrus, Stratus, Cumulus, Nimbus	39,999	2017				

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