2 June 2022

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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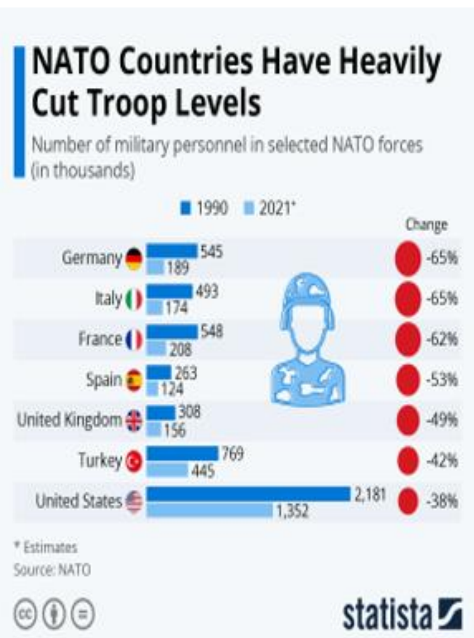
… Rearmament Now !! …



Source : Statista

*Moving bridge-building equipment, field hospitals and blood banks to the border is not a requirement of simple intimidation tactics.

^An Asian Nato security pact between Australia, India, Japan and the US covering the entire Indo-Pacific region. It was revived in 2017.

**The latest was in Tokyo last month, when Biden replied 'yes' to a reporter's question whether the US would defend Taiwan militarily.

^^EU27 will ban all seaborne Russian oil imports, c. 75% of total. The balance 25% arrives via the Druzhba pipeline, with Hungary at 10%.

India & China will continue buying Russian Urals sour crude, at a 30% discount, as their refiners are among the few that can process it.

POINTS OF VIEW

Has there ever been a more difficult time to assess possible outcomes in the intertwined activities of geopolitics, finance, economics, trade and shipping? As we have mentioned before in POV, it really does seem as if we are being visited by the biblical Four Horsemen of the Apocalypse: Conquest, War, Famine and Death and then add a fifth: Pestilence. We are not yet over Covid, but have passed the Covid bounce, and are now subject to the spread of Monkeypox out of Africa. We face a global shortage of commodities from oil, gas and coal to wheat, edible oils and fertilisers due to a combination of lack of investment, bad weather, sanctions and protectionism. We are set adrift in a self-induced China slowdown, the first in over 40 years. It is badly timed, to say the least. We failed to anticipate Putin's invasion of Ukraine, despite the warning signals.* It alerts us to be more vigilant of the China-Taiwan situation wherein the amassing of vast PLA naval assets will be a sure sign of intent. In response to Russian aggression in Europe, Nato is rearming, and in anticipation of Chinese aggression against Taiwan, the Quad^ is reforming and gearing up. Nato will stay out of Ukraine for fear of broadening the conflict, although its arm's length interference is undeniable, the more so if it supplies offensive as well as defensive weapons. Russia will stay out of Nato countries for similar reasons. Ukraine's resistance surprised Russia as it overlooked the fact that the West has been arming and training it ever since Russia's annexation of Crimea in 2014. The West, and its Pacific allies, have until 2030 to reinforce its deterrence in the Indo-Pacific to constrain China's rising power. China aims to be the dominant regional power by 2035, Taiwan included.

Any imminent risk of a third world war in Europe is lower than one starting from around 2030 in the Pacific. The US maintains a policy of 'strategic ambiguity' over whether or not it would defend Taiwan if it came under attack, despite repeated affirmations from President Biden.** Russia, in invading Ukraine, has polarised the autocracies and the democracies, imprecise labels for what are inadequate political systems. The autocracies include US-sanctioned countries such as Iran, North Korea, Venezuela and now Russia. They are 'backed' by other autocracies that are essentially anti-western sympathisers such as China, India, Hungary and Turkey. Hungary is a pro-Russian EU dissenter, having just frustrated EU27 plans to fully embargo Russian oil imports. Turkey is a paradoxical Nato member, pro-Russian yet still supplying Ukraine with its deadly Bayraktar drones. The US and allied response to Russia is even more sanctions, and yet they hurt the enforcers just as much as the sanctioned. The most effective Russian counter-measure, so far, has been to blockade Ukraine's Black Sea ports, preventing it from exporting its grains, then allegedly stealing its wheat, shelling its silos and mining its fields. As famine spreads in Africa, Russia is conveniently blaming US-led sanctions. Other unpleasant boomerang effects on sanction enforcers include higher wet and dry commodity prices in an already commodity starved world. This leads to inflation, rising interest rates, and to ballooning debt-servicing costs for Covid-battered national budgets, companies and households. This can only breed hardship and discontent the likes of which we have not seen since the 2010-12 Arab Spring.

The variety and scale of the issues we face, and their global reach, gives rise to any number of scenarios but little clue as to which is most likely to prevail. It is normal for shipping to bypass and circumnavigate obstacles of all kinds, so this is nothing new, just a matter of scale. Lower absolute seaborne volumes may be compensated by longer distances sailed, especially in oil transportation. High commodity prices lead to increased investment in production, creating larger shipping volumes. The IMO's EEDI/CII guidelines will force older ships to reduce engine power and speed that could render them uneconomic, even obsolete. Containers will get a boost from lockdown easing as factories and exporters play catchup going into peak season. Big bulkers are cursed by slower Chinese and world steel output, but those with scrubbers will be able to exploit the wider HFO/VLSO spread. Kmax will seek Ukraine grain substitutes while geared bulkers find protection from a greater variety of minor bulks. West-to-West and East-to-East tanker trades will be progressively replaced by W-E crude and E-W product trades, increasing ton-miles, with EU-embargoed Russian crude going to India and China.^^ It will be horses for courses, but hopefully no more for the Horsemen.

WEEKLY COMMENTARY

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Dry Cargo Chartering

The **cape** market slipped earlier this week and bounced back just before the upcoming Jubilee holiday. The Index closed 1st June at $24,274 up $901 from last week. Brazil continued to see limited activity with Tubarao to China rates settling at $32 per metric ton. Winner concluded 170,000, 10% at $30.00 pmt for 31st May in early June dates end of last week. West Australia to China business softened and rates hovered around $13.5 per metric ton. FMG covered 160,000/10% at $13.50 for 13/15 June dates and Rio Tinto fixed 170,000/10% at $12.30 for 17/19 June dates. On the period front, we heard the *Samc Integrity* (175,775-dwt, 2002) delivery Huanghua fixed 4 to 6 months at $27,000.

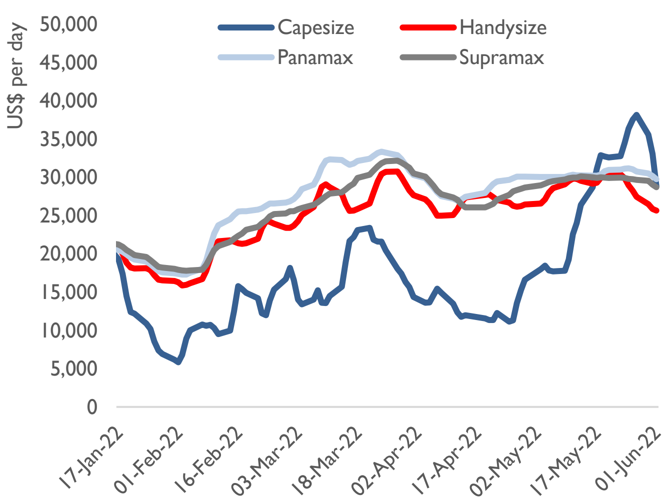
The **panamax** market continued the downward trend across all basins as the P5 TC closed at $25,663 down by $1,768 since last week. In the Pacific, the *Ferderal SW* (76,403-dwt, 2011) was fixed delivery Caofeidian on 1 Jun for a trip via North China redelivery Indonesia at $29,500, and *Ocean Aphrodite* (93,145-dwt, 2011) taken at $25,500 for a trip delivery Taichung on 30 May via east Australia redelivery Taiwan. Meanwhile in the Indian Ocean, *Guo Yuan 16* (75,915-dwt, 2012) was fixed by Cargill for a trip delivery Visakhapatnam 2/7 Jun via east coast South America redelivery Singapore- Japan range at $26,000, and *Cetus* (76,854-dwt, 2003) was fixed delivery sailed Passing Muscat outbound for a trip via east coast South America redelivery Singapore-Japan range at $25,500. In the Atlantic, Cargill took the *Veloce* (83,410-dwt, 2010) delivery north coast South America for a trip to Singapore/Japan range at $28,000 plus $800,000 bb. *Prodigy* (76,117-dwt. 2013) fixed basis delivery Antwerp 31 May for a trip via east coast South America redelivery Singapore-Japan range at $31,000. On voyage, Enel covered a TBN vessel by Oldendorff for 70,000mtons 10% coal loading Puerto Bolivar 20/29 Jun and discharging Tarragona at $24.40. Overall sentiment remained negative from many key areas. From the Atlantic, limited fresh enquiry surfaced due to wide ranging holidays.

The **BSI** closed at $29,738, down from last week's $30,757. *Lycavitos* (58,786-dwt, 2007) fixed for a trip with delivery Port Said and redelivery Djibouti via Red Sea at $20,500. *IVS Wentworth* (58,091-dwt, 2015) fixed for a prompt trip with delivery Algeria and redelivery West Africa at $29,000. From the Pacific arena, upcoming holidays in Asia saw limited enquiry from the south, in the north stronger demand was seen in backhaul trades. *Xin Hai Tong 20* (56,753-dwt, 2009) fixed with delivery Singapore and redelivery China via Indonesia at $27,000. *Chang Hang Hui Hai* (57,065-dwt, 2010) open DunQuat was fixed for a trip via Philippines redelivery China with nickel ore at $28,000. From the Indian Ocean, rather dull week with little fixture came to light. *Kang Yao* (52,988-dwt, 2004) open CJK was fixed for a trip to Bangladesh with general cargo at $30,000 but some heard it was $31,000.

Short week in England for the celebration of the Queens Jubilee, sadly the shipping markets have not joined the party. The **BHSI** closed on Wednesday 1st June at $28,712 down $940 since Friday. The Atlantic market is dropping quickly, especially in the East coast of South America and US Gulf. The Continent and Mediterranean lacked fresh inquiry, showing a slight reduction. Little reported activity thus far, few fixtures from last week now coming to light. From the Mediterranean, *Atromitos L* (28,227-dwt, 2012) open Annaba fixed in the low-mid $20,000s via West Mediterranean to Nigeria. Clinker trips from the East Mediterranean to the Continent were rated at low 20'000's USD per day on small handies, similar rates to the US Gulf. *Assamina II* (30,542-dwt, 2007) fixed basis delivery Algeria for a trip with clinker redelivery Continent at $20,000. Owners asking for mid high 20,000's USD per day for trips East. From the US Gulf, a 33,000-dwt was heard to have been fixed delivery Mississippi River trip redelivery North coast South America at $27,500. East Coast South America dropped further this week, a build up of tonnage combined with interrupted weeks causing rates to stagnate. Charterers now holding Owners rates, at sub 30,000 USD per day for trans-Atlantic trips. A 38,000 fixed basis delivery Vitoria for a trip to Rotterdam at $27,500. Across to the East, the Asian markets were flat in areas but sentiment remained positive, notably in China enjoying a new wave of freedom post lockdown. Little reported activity, a 38,000-dwt fixed basis delivery Far East trip via Japan with steels redelivery Arabian Gulf in the mid $30,000s. A 35,000-dwt logger fixed from Korea for two laden legs at low 30,000's USD per day, while a 32,000-dwt open Xiamen is on subs around 35,000 USD per for a back haul to the Mediterranean.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Ocean Happy	93,123	2010	Malaysia	02 Jun	Vietnam	$28,000	CNR	Via Indoneisa
Veloce	83,410	2010	NC South America	20/30 Jun	Singapore / Japan	$28,000	Cargill	$800,000 bb
Marco	81,393	2009	Yeosu	29 May	Singapore-Japan	$22,000	CNR	Via NoPac
Federal SW	76,403	2011	Caofedian	01 Jun	Indonesia	$29,500	CNR	Via North China
Prodigy	76,117	2013	Antwerp	31 May	Singapore-Japan	$31,000	CNR	Via EC South America
Amis Hero	63,469	2017	Kohsichang	PPT	China	$28,000	CNR	Via Indonesia
Mo Gan Shan	63,326	2014	Lianyungang	29 May	Mediterranean	$38,000	Chun An	-
Lycavitos	58,786	2007	Port Said	PPT	Djibouti	$20,500	WBC	Via Redsea
IVS Wentworth	58,091	2015	Algeria	PPT	West Africa	$29,000	CNR	-
Chang Hang Hui Hai	57,065	2010	DunQuat	04/06 Jun	China	$28,000	CNR	Via Philippines



Exchange Rates	This week	Last Week
JPY/USD	129.94	126.86
USD/EUR	1.0691	1.0750

Brent Oil Price	This week	Last Week
US$/barrel	115.82	117.65

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	638.0	669.0
VLSFO	1,112.0	1020.0
Rotterdam IFO	648.0	679.0
VLSFO	855.0	863.0

Dry Bulk S&P

Due to the public holidays in the UK this week, we are publishing our report a day earlier than normal although we still have plenty to report.

Firstly to update on our last weekly regarding *Capricorn Moon* (81k-dwt, 2015 Tsuneishi Cebu), we understand she was committed at $32.3m. And it is believed that the buyers of *Majulah Harbourfont* (81k-dwt, 2014 Tsuneishi Zhousan) (sold last week for $31.5m) are Newport, Greece.

10-15 year old supramaxes continue to change hands with a flurry of sales this week, predominantly to Chinese buyers. The 2010 built *Stilianos K* (55k-dwt, Mitsui) is understood sold for $21.5m at the time of writing, a price in line with last done. Chinese buyers are said to have committed both the BWTS fitted *Bao Chuan* (56k-dwt, 2007 Mitsui) for $17.8m, and the *Van Fortune* (56k-dwt, 2009 Sanfu) for $16.5m, illustrating the premium for Japanese built tonnage.

Finally, we understand that the BWTS fitted panamax *Orient Prima* (76k-dwt, 2005 Imabari) has been sold for $17m with DD freshly passed.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Orient Prima	76,596	2005	Imabari	Gearless	undisclosed	$17.00m	DD passed & BWTS fitted
Glory One	73,180	2002	Namura	Gearless	Chinese	-	
Van Fortune	56,847	2009	Taizhou Sanfu	C 4x30T	Chinese	$16.50m	
Bao Chuan	56,039	2007	Mitsui	C 4x30T	Chinese	$17.80m	BWTS fitted
Stilianos K	55,625	2010	Mitsui	C 4x30T	undisclosed	$21.50m	
Evnia	53,806	2003	New Century	C 4x30T	undisclosed	$14.00m	
Hayama Star	52,900	2006	Oshima	C 4x30T	Chinese	$17.20m	BWTS fitted
Fortune Lord	45,600	1997	Tsuneishi	C 4x30T	Chinese	$7.20m	

Tanker Commentary

As we head into the Jubilee Bank holiday weekend, we have seen the VLCC spot earnings hit its lowest levels since records began. With Shanghai coming out of lockdown, we are likely to see earnings rising again. There has been a flurry of VLCC sale and purchase action this week with *Duqm* (310k-dwt, 2008 Imabari) inviting offers. At the time of writing, she is rumored to be on subs in the xs $38.5m region. Elsewhere *Neptun* & *Nucleus* (307k-dwt, 2007 Dalian, DD due) are reported to have sold for $30.8m each. This represents prices coming off when compared to sister *Navarin* (307k-dwt, 2007 Dalian) which went to Sinokor for $31.75m in March.

Azerbaijan state oil company, SOCAR have reported to have sold their youngest aframax, *Silver* (107k-dwt, 2010 Tsuneishi, BWTS fitted) for $27.5m. The last similar sale was the *Advantage Avenue* (115k-dwt, 2010 Samsung) which went for $28.5m in April. Indonesian Owners are reported to have seen an interest at around $22m on their *Godam* (113k-dwt, 2006 Samsung).

As MR earnings remain very firm in the west, there have been a couple of Japanese pumprooms reported sold this week. Firstly, Indian controlled, *Jal Sasvata* (46k-dwt, 2009 Naikai, BWTS fitted) has sold for $17m and Norwegian controlled *Challenge Passage* (48k-dwt, 2005 Iwagi, BWTS fitted) is reported to have sold in the high $12m region. The last same aged 2005 built Japanese pumproom to sell was *High Priority* (46k-dwt, 2005 Iwagi, BWTS fitted), which went for $9.2m in March.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Neptun	307,284	2007	Dalian	undisclosed	$30.80m	DD due
Nucleus	307,284	2007	Dalian	undisclosed	$30.80m	DD due
Elandra Bay Elandra Sound	115,647 115,666	2018	Daehan	Italian	-	with 5+1+1 yr TC attached, Epoxy BWTS fitted
Godam	113,553	2006	Samsung	undisclosed	$22.00m	
Silver	107,507	2010	Tsuneishi	undisclosed	$27.50m	BWTS fitted
Challenge Passage	48,658	2005	Iwagi	undisclosed	$12.75m	BWTS fitted
Jal Sasvata	46,590	2009	Naikai Zosen	undisclosed	$17.00m	Epoxy BWTS fitted
Miss Claudia	40,158	2006	ShinA	undisclosed	$11.50m	
Baltic Commander I	37,418	2000	Hyundai Mipo	Turkish	$5.80m	Epoxy phenolic
Bianca Amoretti	29,524	2003	Chengxi	undisclosed	$6.00m	Epoxy
Pangniu	24,202	2017	Dalian	Greek	$20.60m	Epoxy BWTS fitted

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