15 July 2022

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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… Transitory or Persistent ? …

Source : Statista

POINTS OF VIEW

Concerns about inflation, the cost of living crisis and potential recession abound. The World Bank expects world GDP growth to slump from 5.7% in 2021 to 2.9% in 2022, sharply down from its January forecast of 4.1%. However, the gloom may be overdone, as various supply concerns are moderating while demand is rapidly weakening in response to cost pressures and higher rates. Take oil, for example. This morning in London, Brent crude oil fell towards $98pb, being 26% below its 2022 peak and intraday high of $133pb on 8 March. Oil futures are being sold on recession fears while global supply is holding up very well. The IEA informs us that Russian oil production was at 9.7m-bpd in June, only 0.5m-bpd below its sustainable capacity, while its June oil exports were down only 0.25m-bpd MoM to 7.4m-bpd,* albeit the lowest since August 2021. Meanwhile, Russian oil export revenues were up $700mn MoM to $20.4bn, fully 40% above the 2021 monthly average. Despite the US and UK cutting Russian oil imports to almost zero, Europe will not phase out seaborne Russian oil imports until year end. Meanwhile, refiners in Turkey, the Middle East, India, China and other Asia are willing to buy more cheap oil from Russia in protest at the overreach of western sanctions that makes them collateral casualties. Brazil has openly declared that it is seeking to buy all the Russian diesel it can to support its agribusiness and motorists. It also badly needs fertilisers from Russia and Belarus and, as Bolsonaro has pointed out, it is a member of the BRICS**, and will stand firmly by them. There is also the issue of him trailing behind rival Lula in the October presidential election polls.

The IEA's latest forecasts of global oil demand are adjusted to 99.2m-bpd in 2022 (up 1.7m-bpd YoY) and to 101.3m-bpd for 2023 (+2.1m-bpd), thus exceeding 2019 pre-pandemic average annual demand of 100.1m-bpd next year. It puts global oil supply at 100.1m-bpd in 2022 and 101.1m-bpd in 2023, acutely balanced with no spare margin. Downside risks remain, but much depends upon the extent to which Russian oil finds new homes outside Europe and the extent to which the US, Canada and any other sympathetic producers in Latin America, Africa and the Asia-Pacific may come to the rescue. In theory, Saudi Arabia and the UAE hold most of OPEC's and the world's spare capacity, but they have soured on the US and its allies over Yemen, withheld arms sales and Khashoggi. Iran remains in the dog house over its nuclear programme, and is even more estranged by rumours that it is supplying Russia with attack drones. Venezuela has the best chance of having sanctions eased, as the lesser of evils, but its creaking oil infrastructure is unlikely to be fixed any time soon. Over the next 18 months, we will see how the war in Ukraine evolves and the degree to which global oil supply can meet global oil demand. There are many variables at play,^ defying predictions, but therein lies the secret to curing inflation and easing the global cost of living crisis.

Apart from oil, other key commodities have tumbled from recent peaks. Even US natural gas futures fell 44% in the month to 5 July, since surging 25% as Russia shut the Nord Stream 1 pipeline on Monday for 10 days of maintenance. Copper, which has a PhD in economics, and is regarded as being closely correlated with global GDP, is down 35% since an early March high. Iron ore has plunged 34% since its YTD peak in early April. Despite over 20mt of grains being trapped in Ukraine, global wheat prices are 40% lower than their early March annual peak, with poor crops almost everywhere apart from Russia, while soybean prices have fallen 18% in the past month after a bumper Brazilian and Argentinian crop. These examples of big price drops across the energy, metals and agriculture sectors prove that key commodity prices are already moderating from strong upward runs,^^ offering us some hope that inflation may after all be somewhat transitory, sparing the blushes of western central bankers. Fixing the supply side, getting labour working and increasing output will further moderate prices and put us back on track for post lockdown demand recoveries around the world, led by the US and China. Geopolitical concerns remain, not just vis-à-vis Russia/Ukraine, but also in poorer at-risk countries such as Sri Lanka that illustrate the potential for outright insurrection as they battle corruption and debt traps set by external sovereign lenders. Market forces and the fungibility of global trade, in defiance of the inane obstacles of sanctions and tariffs, may yet deliver an economic reprieve and a busy time for shipping of all kinds at a time of constrained tonnage supply.

*Russia's 7.4m-bpd of oil exports are broken down as 5.0m-bpd of crude oil and 2.4m-bpd of oil products.

**Brazil, Russia, India, China and South Africa. Other pro-Russian nations include Hungary (part of EU27) and Turkey (part of Nato).

^Ukraine, China lockdowns, growth slowdowns, disrupted supply chains, stagflation, climate change, dollar strength, EM debt, etc.

^^All the afore-mentioned commodities have suffered weather and labour related supply difficulties that should be price supportive…

N.B. 1H22: China's crude imports of 252.2mt, or 10.2m-bpd, down 3% YoY, while product exports were down 41% YoY at 21.6mt.

Dry Cargo Chartering

Cape markets rallied and strengthened consistently this week as time-charter averages climbed $5,384 (28.6%) to end up at $24,209. Iron Ore deals that came to light this week including Rio Tinto fixing a TBN Ssangyong for 170,000 mtons 10% loading Dampier to Qingdao at $10.45 for 30 Jul/01 Aug as well as taking an unnamed vessel for the same stem and dates at $10.55. Whilst Ore & Metal fixed a TBN Oldendorff for 170,000 mtons 10% loading Saldanha Bay to Qingdao at $21.95 for 1-6 August. On the coal front, Oldendorff fixed an unnamed vessel for 130,000 mtons 10% loading Newcastle to Mailiao at $15.25 for 1-10 August, whilst a Kepco tender covered a Polaris TBN for 150,000 mtons 10% loading Gladstone to Dangjin at $13.23 for 6-10 August and LSS took an unnamed vessel for 150,000 mtons 10% loading Samarinda or Taboneo to Mundra at $9 for 15-20 July.

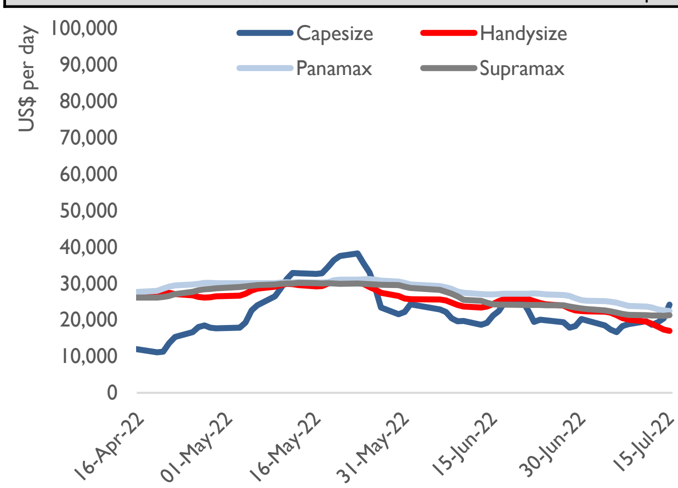
Panamax market has not yet followed the Cape initiative, but there is hope the market will bottom out next week. This week the P5TC closed at $16,969 down by $3,041 (-15.2%) since last reported on 8th July. In the Pacific, NYK fixed Konstantinos II (81,698-dwt, 2013) delivery Machong 15th July for a trip via Indonesia to India at $12,750 whilst Tongli covered Alpha Afovos (74,427-dwt, 2001) delivery Quanzhou 13-14 July for a trip via Indonesia to South China at $10,500 and Oldendorff took Zhong Chang Zhou Shan (75,049-dwt, 2013) delivery Kushiro 18-25 July for a trip via NoPac back to Singapore-Japan range at $16,000. Meanwhile in the Indian, Cargill covered Katerina III (75,700-dwt, 2011) delivery Haldia 3rd July for a trip via EC South America to Singapore-Japan range at $16,250. In the Atlantic, Cihan (81,398-dwt, 2012) fixed delivery aps North Brazil 24th July for a trip to South Brazil with minerals at $37,250, whilst Reachy took Nasaka (81,837-dwt, 2012) delivery aps South Brazil 21-22 July for a trip to Singapore-Japan range at $20,000 + $1,000,000 with scrubber benefit to Owners and Ultrabulk covered Glad Young (81,363-dwt, 2020) delivery Gibraltar 14th July for a trip via US Gulf back to Continent at $19,750. A Kepco tender was covered on a Pan Ocean TBN vessel for 80,000 mtons 10% of Coal loading Semirara 14-23 July and discharging Goseong at $10.30, whilst Jera fixed Aliazi (2020) a Cobelfret relet for 75,000 mtons 10% of Iron Ore loading Port Cartier 25 July – 2 August and discharging Ghent at $14.95.

remains soft as we continue to see a easing of demand and consequently a fall in rates. From the Pacific, there were limited activities over the week but more enquiries were seen from Seasia while Nopac and Australia remains relatively quiet. It was reported that Bao Lai (52,454-dwt, 2003) open Bahodopi was fixed for a trip to China at $21,000 while NS Dalian (57,000-dwt, 2010) was fixed at mid $20,000s from Kaohsiung to Vietnam due to prompt laycan. From the Atlantic, activities remains bleak. It surfaced that The Jade (55,090-dwt, 2010) was fixed from US Gulf to China at $25,000 due to prompt laycan and we heard that Pacific Valor (63,564-dwt, 2015) open Flushing was fixed to West Africa at $20,000 but no further details came to light.

The **BHSI** closed this week $21,249 down marginally $91 from last week. Market sentiment picked up in the Atlantic, despite little to no increase in rates. Southeast-Asia struggled with a lack of enquiry while back-haul levels softened from China back to the Continent. On the Continent, *Argo B* (35,313-dwt, 2010) fixed delivery Rotterdam via Amsterdam -Rotterdam-Antwerp-Ghent range, not including Russia to the United States Gulf with a ferrosilicon cargo at $25,750, a rate well above market. The Mediterranean and Black Sea was stable, *Pretty Sight* (35,200-dwt, 2013) fixed delivery Canakkale for a trip to Tunisia at $15,700 with Grain Compass. The United States Gulf is on the turn, a positive sentiment with more cargo hitting the market, *Nanjing Confidence* (38,916-dwt, 2017) fixed from the Mississippi River to the Continent at $19,000 with Falcon. East Coast South America was up, a Dolphin type 38,000-dwt open Barranquilla fixed for a trip to Italy with grains at $22,000. *Meritius* (28,417-dwt, 2009) fixed from Rio Grande via Upriver redelivery Greece with grains also at $22,000 and 39,000-dwt vessel was rumoured fixing from Recalada to West Coast Central America at $37,000. In Asia, *CH Bella* (33,144-dwt, 201) open Kuantan failed on subjects for a trip via Australia back to Malaysia at around $21,000. A 32,000-dwt vessel open in Indonesia fixed a trip to China in the mid-teens. A 38,000-dwt fixed a trip from the Far East to the US West Coast in the low $30,000. *Pacific Island* (38,218-dwt 20120) open CJK was fixed for a trip via Indonesia to Japan at $21,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Balos	82,025	2018	Santos	24/25 July	Japan	$24,000	NS United	+$1,400,000 bb
Nasaka	81,837	2012	South Brazil	21/22 July	Singapore-Japan	$20,000	Reachy	+$1,000,000 bb
Captain J.Neofotistos	79,501	2012	Cape Passero	13/15 July	Cape Passero	$20,250	GSS	Via EC South America and Aqaba
Blue Bosporus	78,819	2008	Gibraltar	12 July	Singapore- Japan	$26,500	Cofco Agri	Via EC South America
Hua Xu	70,296	1996	CJK	Ppt	South China	$9,000	Cnr	Via Indonesia
Seagull	58,609	2010	SW Pass	Ppt	Turkey	$30,500	Cnr	Via Mississipi River
Bao Lai	52,454	2003	Singapore	15/16 July	Taiwan	$20,000	Tongli	Via Indonesia
Obs Saturn	51,536	2002	Bahodopi	13 July	China	$21,000	AMC	Via Indonesia
Nordseine	38,036	2015	Yancheng	Ppt	China	$23,000	Cnr	Via Australia
Meritius	28,417	2009	Rio Grande	Ppt	Greece	$22,000	Cnr	Via Upriver



Exchange Rates	This week	Last Week
JPY/USD	138.61	135.85
USD/EUR	1.0075	1.0163

Brent Oil Price	This week	Last Week
US$/barrel	101.86	104.33

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	450.0	500.0
VLSFO	990.0	1060.0
Rotterdam IFO	460.0	500.0
VLSFO	787.0	827.0

Dry Bulk S&P

Market direction is becoming less clear, with eddies and counter-currents - is this a turning of the tide or a mid-tide stand? There are contradictory stories that can be extracted from this week's sales, but for all the haziness of market vectors, there are still plenty of participants active in the market. Overall the market is looking over supplied with sales candidates, and even if buyers are unable to significantly squeeze values, they do have at least a range of options in most sectors.

It has been a softer week for the kamsarmax sector, which has been flooded with sales candidate in the last few weeks. Thirstier units are finding it harder to repeat last done prices. *Theresa Shandong* (82k-dwt, 2012 Jiangsu Eastern) is sold at $22m while *Lila Tokyo* (79k-dwt, 2010 Jiangsu Eastern) is sold at $19.3m.

The post-panamax *Hui Xin 8* (92k-dwt, 2012 COSCO Dalian) is sold at just $22m despite passing surveys and fitting a BWTS.

We have four ultramax sales to report this week. *Golden Cathrine* and *Golden Cecile* (60k-dwt, 2015 JMU) are sold at a creditable $31.5m each - probably better than benchmarks. Conversely *Dayang Confidence* (63k-dwt, 2017 Dayang) is sold for a soft $30m. The year older *Soho Mandate* (61k-dwt, 2016 DACKS) hit the benchmarks at $31m.

If kamasarmaxes are softer, ultramaxes are generally repeating last done, supras are still climbing. *Neutrino* (58k-dwt, 2012 Kawasaki) is sold at a respectable $24m, while *Oreo* (55k-dwt, 2008 Kawasaki) has pushed up to $19.35m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Hui Xin 8	92,974	2012	COSCO Dalian	-	undisclosed	$22.00m	BWTS fitted & basis SS/DD passed
Theresa Shandong	82,000	2012	Jiangsu	-	Greek	$22.00m	
Lila Tokyo	79,387	2010	Jiangsu	-	undisclosed	$19.30m	
Dayang Confidence	63,127	2017	Yangzhou Dayang	C 4x35T	undisclosed	$30.00m	BWTS fitted
Soho Mandate	61,436	2016	DACKS	C 4x31T	undisclosed	$31.00m	BWTS fitted
Golden Cathrine Golden Cecile	60,263	2015	JMU	C 4x30T	undisclosed	$63.00m enbloc	BWTS fitted
Neutrino	58,612	2012	Kawasaki	C 4x31T	undisclosed	$24.00m	BWTS fitted
Oreo	55,430	2008	Kawasaki	C 4x31T	undisclosed	$19.35m	BWTS fitted
Sea Rose	45,700	1995	Hashihama	C 4x30T	Chinese	$6.20m	

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Tanker Commentary

Despite a majority of ship-owners heading off on their holidays, buying activity remains buoyant as displayed by the tables below. The long awaited arrival of impressive product tanker rates has led to a number of older units changing hands. These earnings have presented the perfect opportunity for owners to cash in on their 15-20 year old assets that would've otherwise seen subdued interest in poorer market conditions.

Our first example of this trend is BW Group who are understood to have sold their LR1 tanker, *BW LARA* (73k-dwt, '04 New Century, epoxy) for $13m. Greek owners, Thenamaris have also followed suit by selling their *SEACROWN I* (40k-dwt, '03 Hyundai Mipo, epoxy). It has been widely reported that the ship has been purchased by Peruvian tanker players Transgas Shipping Lines for $9m and is now sailing under the name *ATACAMA*.

The ever widening spread between HFO and VLSFO is supporting significant buying interest in scrubber fitted vessels. The VLCC, *ECO LEADER* (299k-dwt, '16 DSME BWTS + Scrubber Fitted) has been sold to low-key players, Al Seer for $82m and the Aframax *ELANDRA ANGEL* (115k-dwt, '09 Samsung Scrubber Fitted) has changed hands for $33m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Eco Leader	299,999	2016	DSME	Al Seer	$82.00m	BWTS & Scrubber fitted
Elandra Angel	115,000	2009	Samsung	undisclosed	$33.00m	Scrubber fitted
Godam	113,553	2006	Samsung	United Marine	$79.50m enbloc	
Mandala						
Timberwolf	109,647	2008	Dalian			epoxy
Thunderwolf	108,817	2008	SWS			
BW Lara	73,495	2004	New Century	undisclosed	$13.00m	epoxy
GSS	73,072	2000	Samsung	Aurora Shipmanagement	-	
Seacrown I	40,039	2003	Hyundai Mipo	Transgas Shipping Lines	$9.00m	epoxy
Kirana Sapta	19,000	2016	Naikai	undisclosed	$20.00m	epoxy

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