22 July 2022

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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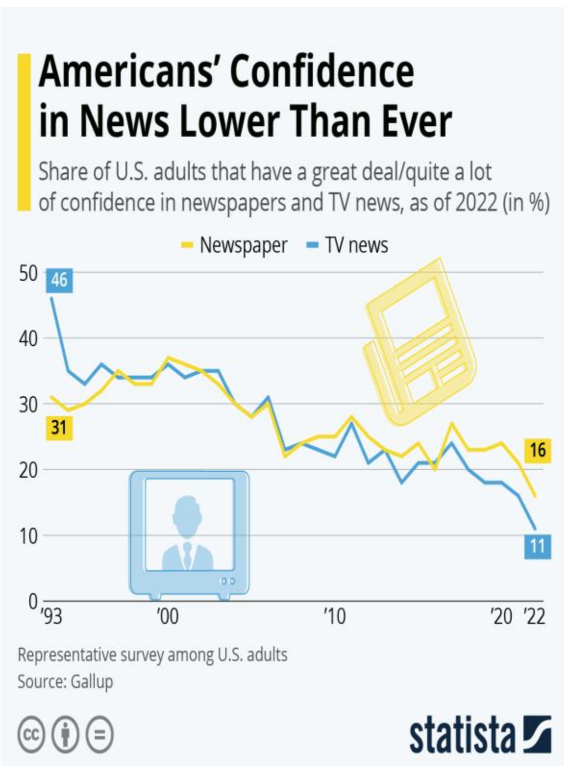
… Too Much Bad News ! …



[Source : Statista](#)

*The state of play, by number of coal-fired power stations in January 2022, according to Statista.

**Ukraine, Russia, Turkey and the UN are signing a deal today but its success depends upon conditions attached and planned execution.

***On 19 July, the NYT/Nomura reported 264m people in 41 cities in full or partial lockdown, up from 247m in 31 cities a week earlier.

^Putin went to Tehran this week to better understand how to bypass upcoming EU sanctions on Russian seaborne oil exports.

^^On 5 Dec '22, Europe will ban the seaborne import of Russian oil, pushing the trade under the radar and more of it east of Suez.

POINTS OF VIEW

We are confronted with an abundance of bad news these days, almost as if the press has a mandate to focus on gloomy stories, rather than attempt to cheer us up once in a while with a good news story. Fake news and alternative facts may have preceded Trump, but his administration certainly indulged in deflecting any criticism as fake news while deploying alternative facts to burnish its own image. Possibly that is why the American public has progressively lost faith in the news as implied by the graph on the lower left. A Gallup poll suggests that, between 1993 and 2021, American confidence in print news declined from 31% to 16%, and for TV news it was an even steeper fall from 46% to 11%. One sure thing is the proliferation of news channels with satellite TV. Some of them merely stoke the highly polarised politics of left and right, of Democrat versus Republican. But it is not a uniquely American problem. There is a war in Europe and there is no way for us to reconcile claims emanating from each side regarding casualties, targets and atrocities. The news war, in so far as it shapes public opinion, is seen as being as important as the ground war by the combatants. In the opening phase, Kremlin propaganda promoted the idea of a special military operation, and still does to this day, that was supposed to last just three days, Now, after 149 days, the public is increasingly asking about the nature and duration of this engagement.

In shipping, we always have a tough job in trying to assess the impact of various events on supply and demand. As the western world slowly emerged from Covid lockdowns, it became clear that there had been a lack of investment in raw material extraction, driven by climate change concerns. The damage we are doing to the planet is undeniable, in a week in which Europe has been subjected to intolerable heatwaves, with the UK recording its first ever reading above 40°c. The energy companies have been forced to abandon oil and gas fields in response to public and government clamour for renewables, ignoring the fact that this is a multi-decade transition, not just the flick of a switch. Ironically, shortages of oil and gas are causing coal-fired power stations to be reactivated in Germany, while vast fleets continue to operate in mainland China (1,110), India (285) and USA (240).* Coal is now a dirty word, but at COP26 in Glasgow last November, after a literally last minute intervention by India, it was agreed merely to "phase down" rather than "phase out" its use. The by-product of coal, oil and gas use is climate change that regularly devastates global grain harvests by fire, flood and drought. The war has further reduced the world's access to fuels, grains and fertilisers, exacerbating a pre-existing inflationary condition that could prove recessionary. It all amounts to an expanding humanitarian disaster on a global scale.

The dry bulk sector is suffering a wobble presently, hopefully just a seasonal lull, but no doubt sentimentally influenced by the gloom and doom of the news cycle which engenders a general sense of despair. Releasing 20mt of grains from Odesa will help, eventually, but best keep the champagne on ice.** Chinese authorities are discussing resuming coal imports from Australia, banned on political grounds since October 2020, as shortages loom later this year. This will boost capesize trade but may be at the expense of sub-cape bulkers that had gained extra ton-mile demand in the trade shift. Global congestion is unwinding for both bulk carriers and containerships, but could return as China lockdowns spread*** and should labour disputes on the USWC strand ships, as in the past. Already a lot more box ships are avoiding the USWC, preferring to sail direct to USG and USEC ports via Panama to avoid industrial action. The collapse in the FBX, and softer bulk carrier rates, suggest that a combination of easing congestion and lower demand are both at play. Meanwhile, tankers are staging a long-awaited comeback, with even VLCC rates rising in recent weeks. VLCCs need China to reverse its 1H22 3% YoY drop in crude oil imports. Suezmax and aframax have enjoyed longer-haul Russian-related seaborne trades as these evolve in response to sanctions, and it is the same for product tankers.^ The elderly ghost fleet of tankers is set to expand as Russia^^ is added to Venezuela and Iran as western-embargoed major oil and gas exporters. A 15yo suezmax now costs $28.5m, 36% higher than $21.0m on invasion day. Over the same period, a 15yo aframax is up 64% from $16.5m to $27.0m, and a 15yo MR is up 50% from $11.0m to $16.5m. Shipping is responding to events, and few tanker owners are likely to complain.

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Dry Cargo Chartering

A somewhat underwhelming week across the **cape** markets saw time-charter averages soften to $22,362, down by $1,847. Amid the news that China is considering alleviating some restrictions on Australian coal imports freight prices along this route dipped midweek to well under $11 pmt before recovering again, highlighting the divided market opinion on how this would play out in the long run. On Wednesday, charterers IMR took a TBN vessel for 160,00 mtons 10% iron ore loading Saldanha Bay destined for China at $21.00 pmt for mid-August dates. Refined Success chartered the Wah Kwong relet Cape Asia built in 2011 for 160,000 mtons 10% Port Hedland-Qingdao at $11.50 pmt for early August dates, while on Monday Pacbulk fixed 170,000 mtons 10% from Western Australia to China 2/4 August at $11.15 pmt. For coal fixtures, it was reported that LSS took an unnamed ship for 150,000 mtons 10% loading Samarinda for Mundra with prompt dates at $8.20 pmt.

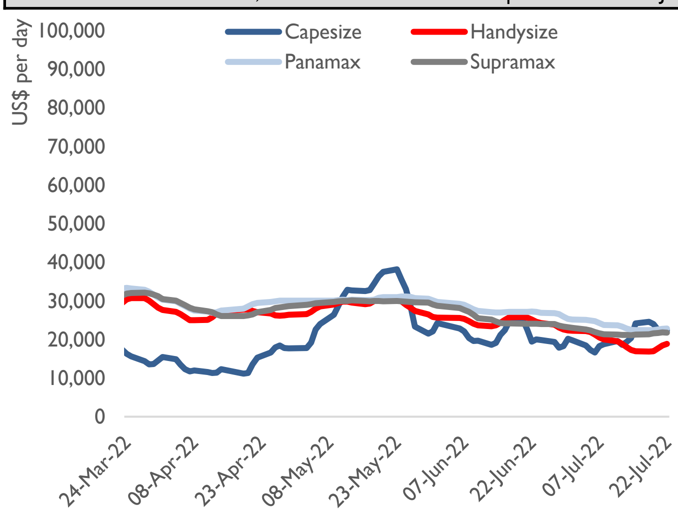
The **panamax** market bottomed out as we predicted last week as it improved slightly. This week the P5TC closed at $18,838 up by $1,869 (11.01%) since last reported on 15th July. In the Pacific, *Shi Dai 11* (75,467-dwt, 2012) fixed delivery Yangpu 22nd July for a trip via Indonesia to South China at $13,500, whilst *Perseas* (75,033-dwt, 2013) fixed delivery Putian 17-22 July for a trip via Indonesia to load coal to South Korea at $14,000, and Viterra took *Port Star* (82,177-dwt) delivery Phu My 26-27 July for a trip via Bunbury loading alumina to Maputo at $15,000. Additionally, Marubeni covered *Lyric Poet* (81,276-dwt, 2012) open CJK 18th July for a grain trip via WC Australia back up to Japan at $14,000. In the Atlantic, Bunge fixed *Medi Sydney* (81,661-dwt, 2015) open Tarragona 21-23 July for a trans-Atlantic round voyage basis delivery Gibraltar and redelivery Spain at $19,750, and *Sakizaya Brave* (74,940-dwt, 2013) fixed delivery Lisbon 8-20 July for a trip via NC South America to Skaw-Passero with grains at $16,000. TS Global fixed tonnage for their 75,000 mtons 10% coal lift ex Gladstone to Ijmuiden 15/22 August, routing via Suez Canal at a rate in the region of $36.00.

The **BSI** closed at $22,880, up marginally from last week's $22,424. We are starting to see a little bit of life returning to the market with rates moving slightly up from last done. From the Pacific, better levels were discussed and a fairly good supply of fresh enquiry was seen from South Asia but a clearer direction is still required in the North. *Noshima* (63,340-dwt, 2020) was reportedly fixed from Cebu to Singapore-Japan range at $28,000 and it was heard that *Kapta Mathios* (58,743-dwt, 2009) was fixed from Singapore to Australia at $24,000. From the Atlantic, the market remains flat though an increase in activity from the US Gulf region was reported but sentiments remained mixed. *Kiran Anatolia* (63,478-dwt, 2013) was said to be fixed from SW Pass to Japan at $29,000 and it was rumoured that *St Paul* (57,982-dwt, 2010) was fixed from Pascagoula to EC Mexico at $39,000 but no further details surfaced. From the Indian Ocean, limited information emerged but *Akij Noble* (58,710-dwt, 2006) was heard to be fixed from Chittagong to WC India at $16,500.

A largely flat and uninspiring week for the **handysize** markets with rates inching in an upwards direction, perhaps indicating better things to come. Time-charter averages ended up at $21,796, up by $547 from our previous report. In the Atlantic activity was limited yet with a UN-brokered deal between Russia and Ukraine to restart the flow of grains out the Black Sea seemingly poised and ready to go, the potential for rates to start ticking upwards is certainly there. Reported fixtures included WBC taking *Maestro Pearl* (36,920-dwt, 2015) delivery Fairless Hills for a trip via North Brazil to Norway with alumina at $17,500, and *Bosphorus Asia* (32,556-dwt, 2002) fixed delivery Canakkale via the Black Sea to Algeria at $18,000. Moreover, we heard that charterers Loch took *Maratha Prestige* (32,080-dwt, 2018) delivery Safi for a fronthaul to Chittagong with phosphates at $19,000. Over in the Pacific, sentiment appeared to be a touch more positive. Norvic chartered *Jersey Spirit* (35,391-dwt, 2014) delivery South East Asia for a trip to the US West coast with cement at $29,000 while *African Ibis* (32,347-dwt, 2004) fixed delivery Dampier for a salt trip to Malaysia at $22,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Nan May	85,005	2016	Onahama	23/28 July	Malaysia	$19,000	Ocean Five	Via EC Australia
Kang May	85,001	2016	CJK	PPT	China	$16,250	NYK	Via EC Australia
Star Jeanette	82,566	2014	EC South America	24/25 July	Singapore-Japan	$20,500	Cnr	$1,050,000 bb
Amazon	81,018	2019	Rizhao	21/22 July	Singapore-Japan	$14,000	Norden	Via NoPac
Sakizaya Brave	74,940	2013	Lisbon	18/20 July	Skaw-Passero	$16,000	ETG	Via NC South America
ML Heron	63,542	2014	Lianyungang	PPT	WC Central America	$31,500	Cnr	-
Star Bovarius	61,602	2015	Penang	25/26 July	SE Asia	$27,000	Panocean	Via Indonesia
Yangtze dawn	56,700	2010	Zhoushan	PPT	West Africa	$27,800	Sinoway	-
Jersey Spirit	35,391	2014	SE Asia	PPT	US West Coast	$29,000	Norvic	-
African Ibis	32,347	2004	Dampier	24/27 July	Malaysia	$22,000	Cnr	-



Exchange Rates	This week	Last Week
JPY/USD	136.70	138.61
USD/EUR	1.0183	1.0075

Brent Oil Price	This week	Last Week
US$/barrel	104.50	101.86

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	472.0	450.0
VLSFO	936.0	990.0
Rotterdam IFO	478.0	460.0
VLSFO	772.0	787.0

Dry Bulk S&P

Heat waves swept through continental Europe this week leading to record-breaking temperatures across the continent and blazing wild fires. The Dry S&P Market is not subject to the same sort of heat right now. Both spot and period earnings are significantly down on levels seen earlier this year and the sales table reflects the pause for breath taken by many buyers.

The end of this week has given cause for optimism though, with a deal signed to enable over 20 million tonnes of grain to be shipped out of Ukraine, all going well, Russians permitting, which should stimulate buying interest. There's plenty of steps to be completed before cargo can safely be shipped from the war affected region, however if cargo starts to move earnings and prices are likely to return to an upward trajectory.

On the sales front, we have a fairly short list of sales to report. The Japanese built *Nord Montreal* (36k-dwt, 2012 Onomichi) is sold at a solid $22m to Greek Buyers. She has her surveys recently passed & BWTS installed.

There's a lengthy list of Dolphin57 sales candidates requiring Sellers to differentiate themselves to attract buying interest. BWTS fitted *Shun Xin* (56k-dwt, 2010 COSCO Zhoushan) is reported sold for $16.75m, a step down on the 2012 *Merida* (built Taizhou Kouan) reported in early July for high 19s. But as always with Dolphin57s the condition of individual units differ widely and that is often reflected in the wide range of prices for ostensibly similar vessels.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Shun Xin	56,933	2010	Zhoushan	C 4x30T	undisclosed	$16.75m	BWTS fitted
Nord Montreal	36,570	2012	Onomichi	C 4x31T	Greek	$22.00m	delivery in October & basis SS/DD passed with BTWS installed
Jun De	34,420	2011	SPP	C 4x35T	Chinese	$17.00m	BWTS fitted
Global Aquarius	28,328	2010	Imabari	C 4x31T	undisclosed	$14.80m	BWTS fitted

Tanker Commentary

Product tanker rates have rapidly picked up in the last two weeks and many owners are feeling owed a strong market after watching other sectors taking off this year. There have been few viable options for potential buyers as sellers either increase their price ideas rapidly as last done deals are reported or they withdraw their vessels all together in order to take advantage of these attractive rates. Sellers are having to move quickly in order to snap up a deal.

MR tankers have taken the limelight this week with a number of sales setting new benchmarks. Many speculators of the product tanker market have been waiting for the sale of *Challenge Phoenix* (47k-dwt, 2007 STX) which called for offers earlier this week. She is reported to have sold for a very firm $18m to Greek interests. The other headline MR sale this week was *Grand* (50k-dwt, 2008 SPP) which is reported to have sold for $19.3m to Vietnamese interests. Both of these sales represent a big push up in pricing in the last two weeks when we compare them to the sale of *Energy Panther* (46,846k-dwt, 2008 Sundong) which sold for $16m at the beginning of July.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Dolviken	159,000	2012	Samsung	Atlantic Tankers	$41.40m	epoxy & BWTS fitted
Blue Pride	115,048	2004	Daewoo	undisclosed	$23.00m	BWTS fitted
Jag Lyall	110,531	2006	Dalian	undisclosed	$26.20m	BWTS & Scrubber fitted
Songa Coral	107,081	2005	Koyo	undisclosed	$25.00m	Scrubber fitted
Super Sapphire	99,876	2009	Hyundai Ulsan	Chinese	$26.00m	BWTS fitted
Sunny Bay	50,661	2008	SPP	Chinese	$17.80m	epoxy phenolic & BWTS fitted
Grand	50,129	2008	SPP	Vietnamese	$19.30m	epoxy & BWTS fitted
STI Benicia	49,990	2014	SPP	undisclosed	$31.50m	epoxy & Scrubber fitted
Patagonian Mystic	49,400	2005	Naikai	undisclosed	$13.80m	BWTS fitted
Challenge Phoenix	47,786	2007	STX	undisclosed	$18.00m	
Hafnia Robson	40,014	2004	Saiki	Beks Shipping	$24.00m enbloc	
Hafnia Adamello	40,002					
Atlantic Jupiter	36,677	2009	Hyundai Mipo	European	$68.00m enbloc	epoxy phenolic
Atlantic Canyon						
Atlantic Symphony						
Atlantic Sirius	36,600	2010				

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