8 July 2022

WEEKLY COMMENTARY

HARTLAND SHIPPING SERVICES

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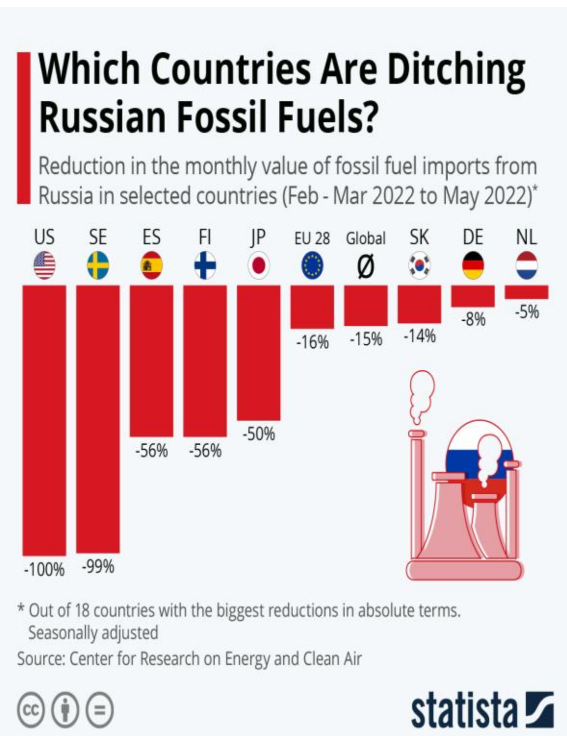
… Back to the 1970s : Soaring Inflation, General Strikes and Weaponised Energy …



Source : Statista

POINTS OF VIEW

This week, the UK's motorway network was paralysed by protesters driving at 30mph across all lanes. They were complaining about the high cost of petrol that is rendering jobs involving long road journeys uneconomic. In Norway, Equinor workers started closing down oil and gas fields as they went on strike for higher wages in response to a global cost-of-living crisis. Inflation is eroding the value of earnings. Such action was promptly averted after the Norwegian government referred the dispute to arbitration.* Airlines and airports are cancelling flights after the absence of key staff that were laid off during the pandemic. Demand for air travel is surging but may soon reverse as chaos makes a misery of any journey. In the UK we face strike action from teachers, lawyers, pilots, airlines, health, rail and postal workers. Our summer of discontent is already in full swing. All around the world, public sector workers are striking for higher wages and few areas remain untouched. Cost-push, rather than demand-pull, inflation is the culprit as the cost and availability of raw materials, services and jobs drives prices and wages higher.** The supply side is proving unable to keep up even as the demand side recovery from lockdown exits fades. Ultimately, higher prices may generate demand destruction and stifle the economic recovery. The factor that has made a bad situation even worse is the war in Ukraine, which shows no sign of ending soon. Life will become even less comfortable when sanctions against Russia ramp up in December.^ We all now realise what an important player Russia is in the export of oil, gas, coal, grains, fertilisers, metals and other key commodities.

The slow rollout of sanctions continues to fund the Kremlin war machine as countries dependent on Russian fossil fuels attempt to minimise the self harm that these measures inflict. Analysis by Bancosta, reported in Tradewinds, puts EU seaborne crude oil imports in H1 2022 at 223mt, up 15.3% YoY. Russia was the biggest seaborne supplier at 59.6mt, up 5.5% YoY. With a 26.7% share of EU imports, Russia was the largest seaborne supplier ahead of North Sea at 17.1% (38.2mt), North Africa at 14.6% (32.6mt), the US at 11.0% (24.6mt), and West Africa at 10.8% (24.0mt). Direct shipments from the AG were in 6th place at 5.2% (11.7mt) with all the aforementioned export areas showing significant YoY gains, implying inventory building ahead of the 5 December ban on Russian seaborne crude imports. The EU27's seaborne crude oil imports were at 446.0mt in 2019, fell 12.8% to 388.8mt in 2020, rebounded 3.5% to 402.5mt last year, and are on track to recover to pre-pandemic 2019 levels this year, based on the first half performance. That restores the EU to the status of being the world's largest seaborne crude oil importer, briefly eclipsed by China in the 2019 to 2021 period, but now suffering its own economic slowdown that is denting energy demand. So, there you have it, in H1 2022 the EU was the world's largest seaborne crude oil importer, with Russia its largest supplier. Expect a public lecture from Zelensky.

We have suffered a torrid first half, with recessions possibly looming. In the first 6 months, the S&P 500 declined 21%, the Dax was down 20%, the Nikkei was off 9% and the Shanghai Composite was 7% lower. Major stresses are at play on European stock exchanges, where countries have the greatest dependence on Russian oil and gas. The UK's FTSE 100 is down only 3%, with a lesser need of Russian energy and boosted by falling sterling. The Russia effect saw Brent crude rise almost 46% in the first half of this year while European natural gas was 97% higher, corn was up 25%, and wheat is back to where it started the year, having spiked 69% in March. The China effect, of a zero-Covid policy growth slowdown in H1, saw copper drop 20%. In contrast, iron ore ended 8% higher, having been 34% up in early April, only then to collapse on weak supply and even weaker demand. 5-year old ships, as per the BSPAs, are all up this year with a 180K-dwt capesize up 13% to $52.0m, a 82K-dwt kamsarmax up 15% to $37.5m, a 58K-dwt supramax 12% stronger at $31.1m, and a 38K-dwt handysize up 19% to $29.1m. A 305K-dwt VLCC is up 8% to $78.1m, a 158K-dwt suezmax is 11% higher at $53.4m, a 105K-dwt aframax is up 20% to $49.0m, and a 51K-dwt MR is 19% dearer at $34.2m. Second hand values have been supported by rising newbuilding prices, if not always by earnings.^^ We can expect more volatility from our event-driven markets, and periodic sell-offs as market players routinely panic. The tonnage supply side is benign. The tonnage demand side is anyone's guess.

*Russia then shut down the CPC pipeline for 30 days. It brings crude oil from the Kazakhstan Caspian to Novorossiisk on the Black Sea.

**To tackle inflation, the supply side needs to be fixed, raising the output of goods and labour. Raising interest rates is not a solution.

^In early June, the EU agreed to ban seaborne Russian oil imports effective 6 months later: by 5 December 2022.

^^VLCCs are a case in point. Since Jan 2021, 1-year TC rates fell 16% to $22,500 today while 5-year old values rose 23% to $80.0m today.

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Dry Cargo Chartering

The **BDI** closed the week at 2,067, down from last weeks 2,214. The **cape** market was disappointing until Thursday which saw an improvement and gained back some ground back. The index finished the week at $18,825 compared to last weeks $19,745. The West Australia to China route dropped to low-mid 10's pmt. *Aqua Venture* (180,000-dwt, 2010) fixed by Rio Tinto for their 170,000mt 10% iron ore from Dampier to Qingdao at $10.50 pmt while BHP fixed a vessel for 170,000mtons 10% iron ore from Port Hedland to Qingdao at $10.5 pmt. However, the market picked up almost a dollar on Thursday with FMG taking a vessel for 160,000mtons 10% iron ore from Port Hedland to Qingdao at $11.40 pmt. It wasn't promising in the Atlantic for the first half of the week. Anglo fixed at $22 pmt for 170,000mt 10% iron ore from Saldanha Bay to Qingdao on early Aug dates while Vale was rumoured to take three vessels on Monday overnight for Brazil to Qingdao iron all but all were below $30 pmt. However, sign of improvement was shown later in the week as Vale again fixed a July stem at $31pmt for PDM to Qingdao. On the time charter front, *Cape Star* (175,366-dwt, 2010) was relet by Fortune Ocean to Deyesion for a trip delivery CJK via Tanjung Pemancingan redel North China at $11,000 with an option to redel South China at $10,500.

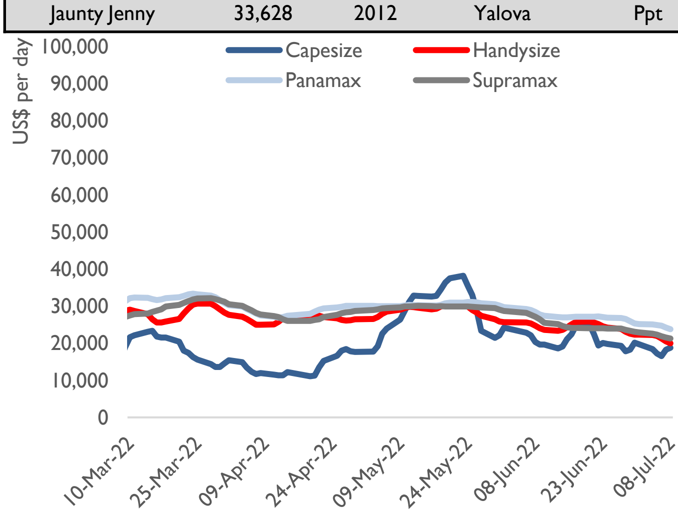
The **panamax** index dropped this week closing today at $20,010, down from last week's $22,297. Not a strong week for the sector with charterers driving owners rates down, especially in the Atlantic, with little fresh inquiry to help ease pressure. Asia also lacked any fresh demand, although Indonesia provided a good volume of coal exports, it did little to impact the market. In North Vietnam, *Yu Xiao Feng* (75,398-dwt, 2012) fixed delivery Campha for a trip via Indonesia redelivery India at $21,500 to NYK. *Graeca Universalis* (73,902-dwt, 2005) fixed retro Singapore via East Coast South America redelivery Singapore-Japan range $19,500 with Oldendorff. *Lila Seoul* (79,454-dwt, 2012) fixed delivery Lumut for a trip via Indonesia redelivery West Coast India at $19,500. In the Atlantic, the Kamsarmax, *RB Jake* (81,039-dwt, 2016) fixed delivery US Gulf for a trip redelivery Continent at $28,000+$450,000 with Cargill while *Am Umang* (81,788-dwt, 2017) open Dunkirk fixed a trip via US Gulf redelivery Far East $31,250 with Olam. *Ioannis R* (75,754-dwt, 2008) fixed delivery East Coast South America for a trip redelivery Singapore-Japan range $21,500 + $1,225,000 bb with Norden. On period, the ADMI controlled and scrubber fitted *Southern Hawk* (80,681-dwt, 2019) Singapore placed on subjects for 11/13 months at $22,000 but not confirmed clean.

The **supramax** index closed at $23,797, down from last week's $25,192. A quiet week in both basins as markets continued to decline. From the Pacific, activities remained flat, with many prompt open vessels and few fixtures emerging. Back haul remains the premium business, at the start of the week we heard *Achilleas* (63,227-dwt, 2012) open Yosu fixed for a trip to the US Gulf at $30,000 and it was reported that *Ocean Ambition* (63,500-dwt, 2020) fixed for a trip from Onsan to the Continent at $36,000. From South East-Asia, limited activities were seen but it was heard *Sinica Greaca* (63,270-dwt, 2015) fixed from Map Ta Phut to West Coast India at $25,000. From the Atlantic, continued negative sentiments can be seen, *Capetown Eagle* (63,707-dwt, 2015) open Sauda was fixed for a trip to US Gulf at $18,600. On the Continent, a 58,000-dwt fixed a scrap run via Hamburg to Iskenderun arnd $15,500. Across the pond, *Lissa Topic* (52,089-dwt, 2003) open United States East Coast fixed high $20,000s for a trip to the Mediterranean.

The **handy** index closed this week at $21,338, down from last weeks $22,973. Negative sentiment spread across the Atlantic, with a notable build up of spot tonnage in key areas. Asia was steady, although softening in parts, back haul levels to the Continent dropping into $20,000's per day. The Continent was slow with little fresh inquiry, *Maple Ambition* (35,513-dwt, 2015) fixed delivery Rouen for a trip with grains to Morocco at $15,000 with Nova Marine Carriers. Mediterranean was flat, little reported activity, intra-Mediterranean levels at mid-teens. *Aprila* (36,193-dwt, 2017) fixed delivery Çanakkale via Black Sea, redelivery US Gulf on 50-55 day trip with agricultural products at $20,750 to TAF. Jaunty Jenny (33,628-dwt, 2012) open Yalova also fixed a trip to the US Gulf at $19,000 with Oldendorff. Within the Gulf, *Rosalia* (39,907-dwt, 2016) fixed from Houston with Nickel ore to China at $18,000. *Seastar Explorer* (34,569-dwt, 2012) open Vera Cruz was fixed basis delivery Port Arthur for a trip to Brazil with soda ash at $9,500 with MUR. In South America, a 33,000-dwt, fixed delivery Itaqui for a 15 day trip redelivery Upriver with steels at $25,000. In the East, markets still outperforming the West but levels continued to drop. In Indonesia, *Eurostar* (33,912-dwt, 2013) open Surabaya fixed basis redelivery Iran high $20,000's. A 33,000-dwt fixed South Korea into Singapore with slag at $20,000 to Norden.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Cape Star	175,366	2010	CJK	4 July	North China	$11,000	Deyesion	Opt South China $10,500
Queena	82,082	2016	EC South America	Ppt	Singapore-Japan	$22,500	Viterra	$1,250,000 bb
RB Jake	81,039	2016	South West Pass	20 July	Continent	$28,500	Cargill	$500,000 bb
Ioannis R	75,754	2008	EC South America	Mid July	Singapore-Japan	$21,500	Norden	$1,225,000 bb
Graeca Universalis	73,902	2005	Singapore	21 June	Singapore-Japan	$19,500	Oldendorff	Via EC South America
Darya Jaya	63,584	2017	Durban	Ppt	China	$25,750	Crystal Seas	$575,000 bb
Sheng Feng Hai	56,890	2011	Singapore	Ppt	China	$26,000	Deyesion	Via Indonesia
Lowlands Opal	55,381	2007	Odense	Ppt	Maramara	$20,000	Lauritzen	-
Seastar Explorer	34,569	2012	Port Arthur	Ppt	Brazil	$9,500	Mur	-
Jaunty Jenny	33,628	2012	Yalova	Ppt	US Gulf	$19,000	Oldendorff	-



Exchange Rates	This week	Last Week
JPY/USD	135.85	135.10
USD/EUR	1.0163	1.0381

Brent Oil Price	This week	Last Week
US$/barrel	104.33	110.01

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	500.0	585.0
VLSFO	1060.0	1106.0
Rotterdam IFO	500.0	556.0
VLSFO	827.0	879.0

Dry Bulk S&P

Despite the dry futures market displaying no real encouragement for the latter quarters of this year, there are a number of buyers taking the opposite view, proven by the large number of transactions seen this week. Having said this, it would be worthwhile noting that the majority of ships reported sold fall within the 15 - 20 year old bracket. Here, buyers are afforded the comfort of attaining a shorter return on capital employed and reduced downside risk in comparison to younger tonnages.

The standout deal of the week would be HNA Technology's purchase of six bulkers, comprising of Panamax and Supramax vessels, for $106m. A significant investment that reflects the opportunities that are cropping up for still bullish buyers to strike whilst their competitors choose to adopt the 'wait and see' approach.

In the modern Kamsarmax sector, it seems that certain buyers are seeing the recent turbulence in the freight market as opportunity to clinch potentially savvy deals. The latest example would be the JP Morgan owned *BTG RAINIER/BTG MATTERHORN* (81k-dwt '15/'16 JMU) which both called for offers earlier this week. Rumours are circulating that the best offer seen was $65m enbloc which represents a significant discount compared to the last done sister ships from JP Morgan, *BTG OLYMPOS/BTG KAILASH* (81k-dwt '15 JMU), of which sold enbloc for $70.8m back in May.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Ocean Scallion	82,000	2013	Dalian	-	Chinese	$23.50m	BWTS fitted
Thunderbird	79,508	2011	Jiangsu	-	undisclosed	$37.00m enbloc	BWTS fitted
Bonneville	79,403						
Van Continent	74,475	2007	Hudong	-	HNA Technology	$106.00m enbloc	
Van General	57,700	2006	Dalian	C 4x30T			
Van Auspicious	53,630	2006	Yangzhou Dayang	C 4x35T			BWTS fitted
Van Eternity	53,390	2007	Chengxi	C 4x36T			
Van Bonita	53,383	2006	Chengxi	C 4x36T			BWTS fitted
Van Duffy	52,385	2006	Tsuneishi	C 4x30T			BWTS fitted
Rui Fu Tai	73,870	2002	Namura	-	undisclosed	$14.25m	BWTS fitted
Christina IV	72,493	2000	Sasebo	-	UAE based	$12.50m	BWTS fitted
Medi Bangkok	53,466	2006	Imabari	C 4x31T	undisclosed	$17.50m	BWTS fitted
Dorthe Oldendorff	37,873	2019	Beihai	C 4x45T	undisclosed	$25.00m	November delivery
Vantage Rider	29,033	2011	Nantong	C 4x30T	Vietnamese	$15.00m	BWTS fitted

HARTLAND
SHIPPING SERVICES

Tanker Commentary

If last weeks title was Old but Gold this week seems to be even more fitting. These golden oldies are running the second hand market at the moment as the product tanker rates continue to boost life into a very positive wet market. This week we saw chemical tankers port congestion get close to the peak levels we saw during the pandemic with roughly 23m dwt of chemical tankers stuck at ports which is roughly 47% of the world fleet. This can only stand to increase rates further. However there is still a minefield of sanctions to navigate and President Zelensky has once again called out the seaborne trade of Russian Oil asking for 'greater unity'. Whilst some buyers are getting priced out of the more modern tonnage as second hand asking prices seem to rise day by day it brings in an opportunity for the older vessels to find new homes and a new lease of life.

This week we saw the sister vessel to, *Storviken* (152k-dwt, 2006 SHI) sell, *Navion Gothenburg* (151k-dwt, 2006 SHI) sold for $25m which is $1.5m more than *Storviken* which was reported just 2 weeks ago. Stealth Maritime have reared their head again this week with the purchase of the older afra, *Kronvlken* (115k-dwt, 2006 SHI) which they paid $25m for. Interestingly the 2 year older sister vessel, *Carlton* (115k-dwt, 2004 SHI) sold 2 weeks ago for just $21.75m to Chinese buyers showing another significant increase.

Onto the front runners of the wet market MR's, Vitol have sold their 2 Korean built MR's to undisclosed buyers clearly looking to take advantage of the excellent earnings on these ladies. *Elandra Blu* and *Elandra Corallo* (50k-dwt, 2008 SPP) received and excellent price of $36m en bloc. Last month we saw 2 similar ladies, *PTI Sextans* and *PTI Cygnus* (51k-dwt, 2007, STX Jinhae) sell for $15m each, which further proves how quick the market is increasing in this sector.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Navion Gothenburg	150,980	2006	Samsung	undisclosed	$25.00m	epoxy
A Symphony	149,995	2001	Sasebo	Chinese	$13.00m	Auction
Kronviken	114,523	2006	Samsung	Stealth Maritime	$25.00m	
Forties Tartan	113,782	2005	Samsung	undisclosed	$44.00m enbloc	
Stena Paris	65,125	2005	Brodosplit	Greek	$14.25m	epoxy
Elandra Blu Elandra Corallo	50,696 50,607	2008	SPP	undisclosed	$36.00m enbloc	epoxy
Energy Panther	46,846	2008	Sungdong	undisclosed	$16.00m	epoxy phenolic
Ebony Ray	19,998	2008	Usuki	Samureda Shipping	$14.00m	Included a 3-year TC back to GSB Tankers at $13,750 p/d
Tiger Spring Tiger Summer Tiger Winter	9,380 9,118 9,055	2011	Dongfan	Turkish	$37.50m enbloc	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
June Luck	5,671	1993	Imabari	TANK	2,582.00	undisclosed	Bangladesh

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